Certain Welded Large Diameter Line Pipe from Japan

Investigation No. 731-TA-919 (Second Review)

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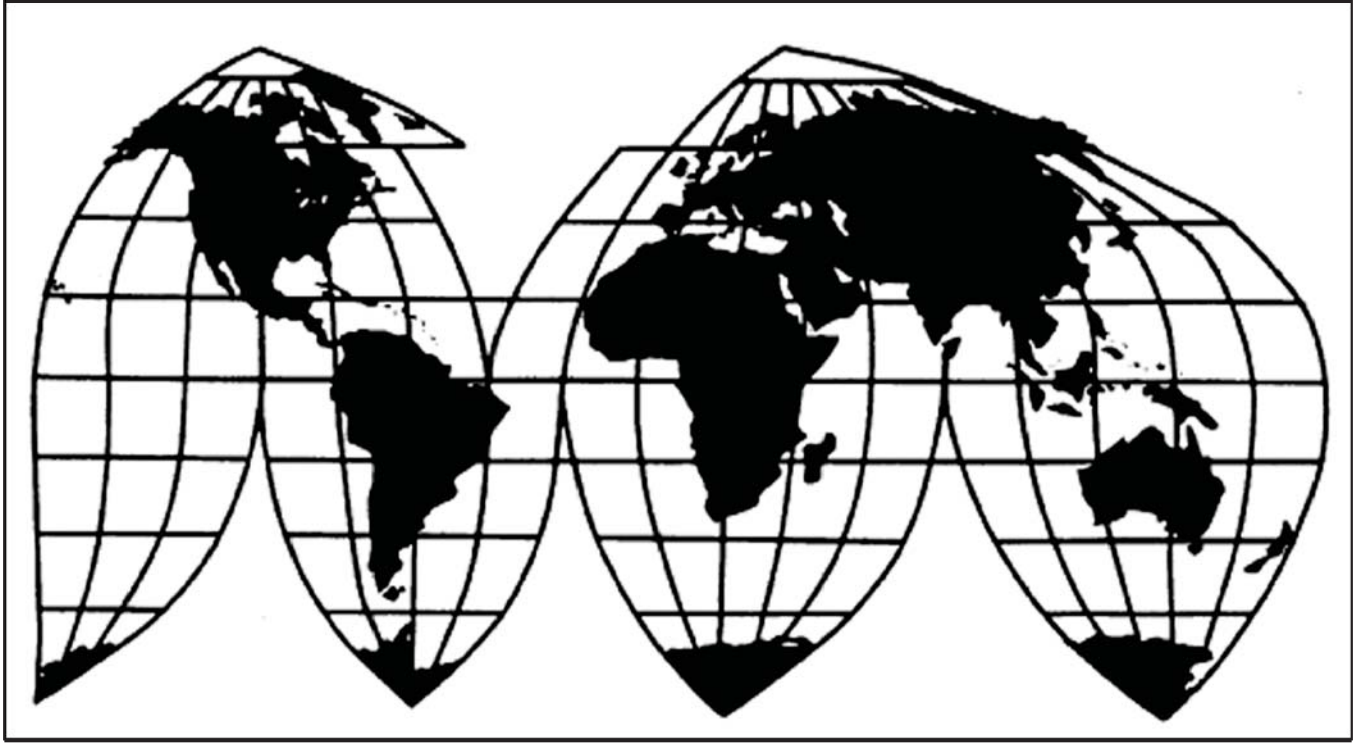
U.S. International Trade Commission



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U.S. 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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation No. 731-TA-919 (Second Review)

CERTAIN WELDED LARGE DIAMETER LINE PIPE FROM JAPAN

DETERMINATION

On the basis of the record[1] developed in the subject five-year review, the United States International Trade Commission (Commission) determines,[2] pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the antidumping duty order on certain welded large diameter line pipe from Japan would likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted this review on October 1, 2012 (77 FR 59973) and determined on January 4, 2013 that it would conduct a full review (78 FR 3916, January 7, 2013). Notice of the scheduling of the Commission's review 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* on February 25, 2013 (78 FR 12784). The hearing was held in Washington, DC, on August 1, 2013, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Daniel R. Pearson dissenting.

Views of the Commission

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended ("the Tariff Act"), that revocation of the antidumping duty order on certain welded large diameter line pipe ("CWLDLP") from Japan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[1]

I. Background

Original Investigations: The petition in the original investigations concerned CWLDLP from Japan and Mexico. On October 26, 2001, the Commission unanimously determined that an industry in the United States was materially injured by reason of less than fair value ("LTFV") imports of CWLDLP from Japan,[2] and Commerce imposed an antidumping duty order on subject imports from Japan on December 6, 2001.[3] On February 19, 2002, the Commission unanimously determined that an industry in the United States was materially injured by reason of LTFV imports of CWLDLP from Mexico, and Commerce imposed an antidumping duty order on subject imports from Mexico on February 27, 2002.[4]

First Reviews: The Commission instituted first reviews of the antidumping duty orders on CWLDLP from Japan and Mexico on November 1, 2006.[5] In October 2007, after full reviews, the Commission determined that revocation of the antidumping duty order on CWLDLP from Japan would be likely to lead to continuation or recurrence of material injury to the domestic industry.[6] With respect to CWLDLP from Mexico, the Commission determined that revocation of the antidumping duty order would not be likely to lead to continuation or recurrence of

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[1] Commissioner Pearson determines that revocation of the antidumping duty order on CWLDLP from Japan would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. *See* Separate and Dissenting Views of Commissioner Daniel R. Pearson. Except as otherwise noted, Commissioner Pearson joins Sections I to III.C of these Views.

[2] *Certain Welded Large Diameter Line Pipe from Japan*, Inv. No. 731-TA-919 (Final), USITC Pub. 3464 (Nov. 2001) ("Original Investigations"). In its determination, the Commission cumulated the subject imports from Japan and Mexico.

[3] *See Certain Welded Large Diameter Line Pipe from Japan*, 66 Fed. Reg. 55204 (Nov. 1, 2001); *Antidumping Duty Order: Welded Large Diameter Line Pipe from Japan*, 66 Fed. Reg. 63368 (Dec. 6, 2001).

[4] *See Certain Welded Large Diameter Line Pipe from Mexico*, 67 Fed. Reg. 8556 (Feb. 25, 2002); *Antidumping Duty Order: Welded Large Diameter Line Pipe from Mexico*, 67 Fed. Reg. 8937 (Feb. 27, 2002).

[5] 71 Fed. Reg. 64294 (Nov. 5, 2007).

[6] *Certain Welded Large Diameter Line Pipe From Japan and Mexico*, Inv. Nos. 731-TA-919 and 920 (Review), USITC Pub. 3953 (Oct. 2007) ("First Reviews") at 3.

material injury to the domestic industry.[7] Commerce issued its continuation of the antidumping duty order on CWLDLP from Japan and its revocation of the antidumping duty order on CWLDLP from Mexico on October 29, 2007.[8]

Second Review: On October 1, 2012, the Commission instituted this review,[9] and on January 4, 2013, determined to conduct a full review.[10] The Commission received joint prehearing and posthearing briefs from domestic producers American Cast Iron Pipe Company, Berg Steel Pipe Corporation, Dura-Bond Pipe LLC, Stupp Corporation, and Welspun Tubular USA LLC ("Domestic Producers"). United States Steel Corporation ("U.S. Steel"), a domestic producer, also submitted prehearing and posthearing briefs. Finally, the Commission received prehearing and posthearing submissions from JFE Steel Corporation ("JFE") and Nippon Steel & Sumitomo Metal Corporation ("Nippon") (collectively "Respondents"), each of which produces subject merchandise. Representatives of the Domestic Producers, U.S. Steel, and the Respondents appeared at the Commission's hearing accompanied by counsel.

The Commission issued questionnaires to U.S. producers, importers, purchasers, and Japanese producers, seeking data for calendar years 2007-2012, along with interim periods January-March 2012 and January-March 2013 (the "period of review"). U.S. industry data are based on the questionnaire responses of the ten U.S. producers of CWLDLP that are believed to have accounted for all known U.S. production of CWLDLP in 2012.[11] U.S. import data and related information are based on official import statistics and questionnaire data from eight importers that are believed to have accounted for approximately 95 percent of total subject imports during the period of review.[12] Foreign industry data and related information are based on the questionnaire responses of two producers of CWLDLP in Japan that accounted for 100 percent of Japanese production of CWLDLP in 2012.[13]

II. Domestic Like Product and Industry

A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the "domestic like product" and the "industry."[14] The Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and

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[7] *Id.*

[8] 72 Fed. Reg. 62435-36 (Nov. 5, 2007).

[9] 77 Fed. Reg. 59973 (Oct. 1, 2012).

[10] The Commission determined that the group responses to the notice of institution submitted by domestic interested parties and Respondent interested parties from Japan were adequate, and therefore determined to conduct a full review of the antidumping duty order. 78 Fed. Reg. 3916 (Jan. 7, 2013).

[11] Confidential Staff Report ("CR") at I-15, Public Report ("PR") at I-13.

[12] CR at I-15, PR at I-13.

[13] CR at I-15, PR at I-13.

[14] 19 U.S.C. § 1677(4)(A).

uses with, the article subject to an investigation under this subtitle."[15] The Commission's practice in five-year reviews is to examine the domestic like product definition from the original investigation and consider whether the record indicates any reason to revisit the prior findings.[16]

Commerce has defined the imported merchandise within the scope of the orders under review as follows:

> certain welded carbon and alloy line pipe, of circular cross section and with an outside diameter greater than 16 inches, but less than 64 inches, in diameter, whether or not stenciled. This product is normally produced according to American Petroleum Institute ("API") specifications, including Grades A25, A, B, and X grades ranging from X42 to X80, but can also be produced to other specifications.[17]

As was the case in the original investigations and the first reviews, Commerce specifically excluded water and sewage pipe and several other products from the scope of the antidumping duty order.[18]

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[15] 19 U.S.C. § 1677(10); *see*, *e.g., Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991); *see also* S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[16] *See*, *e.g.*, *Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8-9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

[17] *Issues and Decision Memorandum for the Expedited Second Sunset Review of the Antidumping Duty Order on Welded Large Diameter Line Pipe from Japan* at 3-4 (Jan. 31, 2013).

[18] The following products are specifically excluded from the scope of the order: products having an outside diameter greater than or equal to 18 inches and less than or equal to 22 inches, with a wall thickness measuring 0.750 inch or greater, regardless of grade; products having an outside diameter greater than or equal to 24 inches and less than 30 inches, with wall thickness measuring greater than 0.875 inches in grades A, B, and X42, with wall thickness measuring greater than 0.750 inches in grades X52 through X56, and with wall thickness measuring greater than 0.688 inches in grades X60 or greater; products having an outside diameter greater than or equal to 30 inches and less than 36 inches, with wall thickness measuring greater than 1.250 inches in grades A, B, and X42, with wall thickness measuring greater than 1.000 inches in grades X52 through X56, and with wall thickness measuring greater than 0.875 inches in grades X60 or greater; products having an outside diameter greater than or equal to 36 inches and less than 42 inches, with wall thickness measuring greater than 1.375 inches in grades A, B, and X42, with wall thickness measuring greater than 1.250 inches in grades X52 through X56, and with wall thickness measuring greater than 1.125 inches in grades X60 or greater; products having an outside diameter greater than or equal to 42 inches and less than 64 inches, with a wall thickness measuring greater than 1.500 inches in grades A, B, and X42, with wall thickness measuring

(Continued…)

Line pipe is used for conveyance of gas, oil, or water, generally in a pipeline or utility distribution system. It is produced to specifications of the American Petroleum Institute ("API"). CWLDLP is line pipe with an outside diameter greater than 16 inches but less than 64 inches, excluding water pipe as specified by the American Water Works Association and the aforementioned size/grade combinations that Commerce has excluded from the scope definition. The articles excluded from the antidumping duty order tend to be very thick-walled line pipe that can be used in Arctic or offshore deep water environments, or to convey highly corrosive gases.[19]

CWLDLP is produced by one of two major manufacturing methods that can affect the properties of the pipe. One method, submerged arc welding ("SAW"), encompasses both helical (or spiral) welding ("HSAW") and longitudinal welding ("LSAW").[20] A second production method is electric resistance welding ("ERW"). HSAW and ERW pipe are both made from steel coils whereas LSAW pipe is made from steel plates.

In the United States, the ERW method is used to produce CWLDLP up to 24 inches in diameter and 0.63 inches thick. The HSAW method is used to produce CWLDLP up to 64 inches in diameter and 1.03 inches thick, while the LSAW method is used for CWLDLP up to 48 inches in diameter and 1.25 inches thick.[21] The size of ERW pipe is limited by the coil width and is accordingly used for thinner-walled and smaller diameter pipe projects.[22] Because of the helical wrap of the steel, the size of HSAW pipe is not limited by the coil width and, thus, the HSAW method is generally used for larger diameter pipe projects in the United States. HSAW and ERW pipe generally are used in less demanding applications, while LSAW pipe is preferred in more demanding applications because it can be produced with thicker walls.[23] ERW pipe is generally the least expensive variety of CWLDLP while LSAW pipe is the most expensive.[24]

(…Continued)
greater than 1.375 inches in grades X52 through X56, and with wall thickness measuring greater than 1.250 inches in grades X60 or greater; products having an outside diameter equal to 48 inches, with a wall thickness measuring 1.0 inch or greater, in grades X80 or greater; products in API grades X80 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.90 inch or more; products in API grades X100 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.54 inch or more; product API grade X80 having an outside diameter of 21 inches and wall thickness of 0.625 inch or more. *Issues and Decision Memorandum for the Expedited Second Sunset Review of the Antidumping Duty Order on Welded Large Diameter Line Pipe from Japan*, Jan. 31, 2013, at 3-4.

[19] CR at I-20, PR at PR at I-17.

[20] CR at I-20 to I-21, PR at I-17.

[21] CR at I-21, PR at I-18. The Japanese producers can produce LSAW pipe greater than *** inches in diameter. *See* ***.

[22] CR at I-21, PR at I-18.

[23] CR at I-21, PR at I-17.

[24] CR at I-21, PR at I-18.

In this five-year review, the Commission solicited comments from interested parties regarding the appropriate definition of the domestic like product and domestic industry.[25] [26] The Domestic Producers agreed with the Commission's definition of the domestic like product from the original investigations and first reviews and the Respondents did not articulate a contrary position.[27] The record contains no information suggesting that the characteristics and uses of domestically produced CWLDLP have changed since the prior proceedings or that the like product definition should be revisited.[28] We therefore find a single domestic like product that includes all CWLDLP, coextensive with Commerce's scope of investigation.

B. Domestic Industry

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[29] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic producers of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. There are no domestic industry or related party issues in this review.[30] Accordingly, we define the domestic industry to be all domestic producers of CWLDLP.

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[25] *Certain Welded Large Diameter Line Pipe from Japan; Institution of a Five Year Review Concerning the Antidumping Duty Order on Certain Welded Large Diameter Line Pipe From Japan*, 77 Fed. Reg. 59973 (Oct. 1, 2012).

[26] In the original investigations, the Commission examined whether CWLDLP produced using the ERW and SAW methods should be treated as separate like products. The Commission found that ERW and SAW line pipe existed on a continuum of CWLDLP products because they were sold through similar channels of distribution, shared physical characteristics and end uses (namely the transmission of oil and gas), were perceived by producers and customers as suitable for the same general end uses, and were moderately interchangeable. Original Investigations, USITC Pub. 3464, at 9-10. Although ERW and SAW line pipe were produced in different facilities by different employees using different processes, the Commission stated that this dividing line was blurred by the fact that similar distinctions existed between different types of SAW pipes. Accordingly, the Commission found a single like product comprised of all CWLDLP. Original Investigations, USITC Pub. 3464, at 9-10.

In the first five-year reviews, the Commission found that the record contained no information that would lead it to change its definition of the domestic like product. It therefore defined the domestic like product as all CWLDLP, coextensive with the scope of the antidumping duty orders under review. First Reviews, USITC Pub. 3953, at 7-8.

[27] Domestic Producers' Prehearing Brief at 3-4.

[28] *See generally* CR at I-22, PR at I-18.

[29] 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. *See* 19 U.S.C. § 1677.

[30] *See* CR at I-32, PR at I-26.

III. Whether Revocation of the Antidumping and Countervailing Duty Orders Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time

A. Legal Standards

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."[31] The SAA states that "under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports."[32] Thus, the likelihood standard is prospective in nature.[33] The U.S. Court of International Trade has found that "likely," as used in the five-year review provisions of the Act, means "probable," and the Commission applies that standard in five-year reviews.[34]

The statute states that "the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time."[35] According to the SAA, a "'reasonably foreseeable time' will vary from case-to-case, but

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[31] 19 U.S.C. § 1675a(a).

[32] SAA at 883-84. The SAA states that "{t}he likelihood of injury standard applies regardless of the nature of the Commission's original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed." *Id*. at 883.

[33] While the SAA states that "a separate determination regarding current material injury is not necessary," it indicates that "the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued {sic} prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked." SAA at 884.

[34] *See NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int'l Trade 2003) ("'likely' means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)"), *aff'd mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) ("more likely than not" standard is "consistent with the court's opinion;" "the court has not interpreted 'likely' to imply any particular degree of 'certainty'"); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) ("standard is based on a likelihood of continuation or recurrence of injury, not a certainty"); *Usinor v. United States*, 26 CIT 767, 794 (2002) ("'likely' is tantamount to 'probable,' not merely 'possible'").

[35] 19 U.S.C. § 1675a(a)(5).

normally will exceed the 'imminent' timeframe applicable in a threat of injury analysis in original investigations."[36]

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to "consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated."[37] It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or a suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).[38] The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination.[39]

In evaluating the likely volume of imports of subject merchandise if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.[40] In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.[41]

In evaluating the likely price effects of subject imports if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the

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[36] SAA at 887. Among the factors that the Commission should consider in this regard are "the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities." *Id*.

[37] 19 U.S.C. § 1675a(a)(1).

[38] 19 U.S.C. § 1675a(a)(1). Commerce has made no duty absorption findings with respect to CWLDLP from Japan. CR at I-16, PR at I-14.

[39] 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

[40] 19 U.S.C. § 1675a(a)(2).

[41] 19 U.S.C. § 1675a(a)(2)(A-D).

United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.[42]

In evaluating the likely impact of imports of subject merchandise if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to the following: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.[43] All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry. As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the orders under review and whether the industry is vulnerable to material injury upon revocation.[44]

B. Findings in the Original Investigations and First Reviews

Conditions of Competition. In the original investigations, the Commission found that CWLDLP was purchased by end users for use in pipeline projects, and by distributors that resold the pipe to customers for use in the repair and maintenance of existing pipelines as well as for structural applications.[45] The Commission found that demand for CWLDLP depended upon oil and gas prices and activity in the energy sector, because most CWLDLP was primarily used in the transmission of oil and gas. CWLDLP demand in both the U.S. and global markets fell sharply between 1998 and 2000.[46]

In the first five-year reviews, the Commission again found that CWLDLP was sold into two market segments: the maintenance and repair market and the project market. The record indicated that CWLDLP demand in the project market was typically more volatile than demand in the repair and maintenance market. Although CWLDLP demand in the repair and maintenance market fluctuated over the period, the project market collapsed between 2001

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[42] *See* 19 U.S.C. § 1675a(a)(3). The SAA states that "{c}onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

[43] 19 U.S.C. § 1675a(a)(4).

[44] The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

[45] Original Investigations, USITC Pub. 3464, at 14.

[46] Original Investigations, USITC Pub. 3464, at 15.

and 2003, resulting in a large decline in apparent U.S. consumption of CWLDLP.[47] Global demand for CWLDLP again displayed a trend similar to that of U.S. demand over the period, with planned and constructed pipeline mileage declining. Another condition of competition potentially affecting CWLDLP supply in the U.S. market was the construction and planned expansion of HSAW capacity in the United States, spurred in part by the increasing market acceptance of HSAW CWLDLP in applications formerly reserved for LSAW.[48]

Subject Import Volume. In the original investigations, the Commission found that cumulated subject imports from Japan and Mexico increased significantly between 1999 and 2000, with subject import volume increasing from 173,525 short tons in 1999 to 200,689 short tons in 2000, or from *** percent of apparent U.S. consumption to *** percent.[49] The Commission found the increase in cumulated subject import volume and market share in 2000 significant because much of the increase had come at the expense of domestic shipments to distributors, which were needed to compensate for the decline in sales to end users.[50] The Commission discounted the significance of the decline in subject import volume and market share in interim 2001 as compared to interim 2000, because it was attributable to the filing of the petitions.[51]

In the first review of the order on imports from Japan, the Commission found that subject imports from Japan maintained a presence in the U.S. market over the period of review despite the imposition of the antidumping duty order, indicating that Japanese producers maintained both an interest in, and the ability to serve, U.S. customers.[52] The Commission also found that subject Japanese producers could increase their production of CWLDLP notwithstanding their reported high capacity utilization rate as reported capacity fluctuated in tandem with production.[53] The Commission noted a sharp decline in subject producers' exports to China, suggesting that Japanese CWLDLP producers likely possessed the capacity to replace this volume of lost exports to China with a similar volume of exports to other markets, such as the United States.[54] Finally, the Commission noted that two of the three Japanese CWLDLP producers reported the ability to switch production between CWLDLP and other products at very little cost, in response to changes in the relative price of CWLDLP and other products.[55]

Price Effects. In the original investigations, the Commission found that subject imports pervasively undersold the domestic like product, depressing domestic prices to a significant degree. Cumulated subject imports from Japan and Mexico undersold the domestic like

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[47] First Reviews, USITC Pub. 3953, at 18.

[48] First Reviews, USITC Pub. 3953, at 20.

[49] Original Investigations, USITC Pub. 3464, at 16. *See also* CR/PR at Table I-1 (indicating subject imports from Japan constituted the majority of the cumulated subject imports and increased their share of apparent U.S. consumption from *** to *** percent from 1998 to 2000).

[50] Original Investigations, USITC Pub. 3464, at 16.

[51] Original Investigations, USITC Pub. 3464, at 16.

[52] First Reviews, USITC Pub. 3953, at 22.

[53] First Reviews, USITC Pub. 3953, at 23.

[54] First Reviews, USITC Pub. 3953, at 25.

[55] First Reviews, USITC Pub. 3953, at 25.

product in 30 of 46 quarterly comparisons at generally significant margins.[56] Downward trends in the average unit values of subject imports and the domestic like product were consistent with the trends observed in pricing product data, and the record contained evidence of significant confirmed lost sales and revenues.[57]

In the first review of the order on imports from Japan, the Commission found that subject imports from Japan and the domestic like product were highly substitutable and that price was an important factor in purchasing decisions. The Commission observed that subject imports from Japan undersold domestic CWLDLP in the majority of comparisons during the first review and during the original investigation, although there were limited pricing data in the record of the first review.[58] The Commission found that upon revocation the Japanese CWLDLP producers would likely resume the underselling strategy that they employed prior to the imposition of the antidumping duty order. The Commission concluded that the underselling of a significant volume of subject imports from Japan, at significant margins, would likely depress or suppress domestic CWLDLP prices to a significant degree.[59]

Impact. In the original investigations, the Commission determined that the domestic industry was materially injured by reason of cumulated subject imports from Japan and Mexico. It found that the domestic industry's condition deteriorated between 1999 and 2000 according to virtually every indicator, with modest improvements in the first half of 2001 attributable to the filing of the petitions.[60] In considering alternative explanations for these trends, the Commission found that declining exports were a contributing factor, but one largely confined to the 1998-1999 period, and that nonsubject imports, though significant, had not targeted the distributor market where domestic producers lost the most sales, and were sold at relatively higher prices than subject imports.[61] Thus, the Commission concluded that subject imports were having a significant adverse impact on the domestic industry, based on their significant adverse volume and price effects.

In the first five-year review of the order on imports from Japan, the Commission found that the domestic industry was not vulnerable to the recurrence of material injury. Although the domestic industry performed poorly throughout much of the period, its performance rebounded in 2006 due to a strong recovery in CWLDLP demand.[62] Most indicators of the domestic industry's performance were positive toward the end of the period. Net sales initially declined, but then increased while the industry's market share increased. Operating income

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[56] Underselling occurred in *** comparisons for subject imports from Japan. CR/PR at Table V-15.

[57] Original Investigations, USITC Pub. 3464, at 17-18. The Commission was mindful of the limited utility of AUV data when analyzing a product like CWLDLP.

[58] First Reviews, USITC Pub. 3953, at 28. During the first review period, underselling occurred in 26 of 31 comparisons for subject imports from Japan. CR/PR at Table V-15.

[59] First Reviews, USITC Pub. 3953, at 29.

[60] Original Investigations, USITC Pub. 3464, at 19.

[61] Original Investigations, USITC Pub. 3464, at 21.

[62] First Reviews, USITC Pub. 3953, at 30.

declined from 2001 to 2003 and then recovered from 2004 to 2006.[63] The domestic industry's capacity and production generally declined and capacity utilization fluctuated in a narrow range.[64] The Commission found that the domestic industry benefitted significantly from the antidumping duty order on CWLDLP from Japan as the pendency of the antidumping duty investigation and the imposition of the order in 2001 caused an immediate decline in the volume and market share of subject imports from Japan.[65] The Commission concluded that if the order on CWLDLP from Japan were revoked, the likely significant increase in the volume of subject imports, coupled with their likely adverse price effects, would likely have a significant negative impact on the domestic industry.[66]

C. Conditions of Competition and the Business Cycle

In evaluating the likely impact of the subject imports on the domestic industry if an order were to be revoked, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[67] The following conditions of competition inform our determinations.

1. Demand Conditions

Demand for CWLDLP continues to be driven by the repair and maintenance market and the larger project market. Purchasers reported that the volume of CWLDLP sold in the repair and maintenance market decreased by about 50 percent between 2007 and 2012, with most of the decline occurring between 2007 and 2008.[68] The market for CWLDLP reflects the requirements of large-scale oil and gas projects, but in that regard there has been a shift during the period of review towards smaller, more localized projects, involving extraction of oil and gas from shale deposits.[69] The boom in extraction of natural gas from shale has resulted in apparent U.S. consumption of CWLDLP becoming concentrated in smaller diameter CWLDLP, typically not exceeding 24 inches outside diameter, for on-shore pipeline projects.[70] Demand for CWLDLP produced by the ERW method has been the primary beneficiary of this increase in demand for smaller diameter CWLDLP.[71] By contrast, demand for CWLDLP produced by the HSAW method has suffered as shale extraction projects have not

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[63] First Reviews, USITC Pub. 3953, at 30.
[64] First Reviews, USITC Pub. 3953, at 31.
[65] First Reviews, USITC Pub. 3953, at 31.
[66] First Reviews, USITC Pub. 3953, at 32.
[67] 19 U.S.C. § 1675a(a)(4).
[68] CR/PR at II-1, Tr. at 48 (Delie) (very weak replacement market).
[69] CR at II-8, PR at II-5 to II-6.
[70] Tr. at 127 (Klett); Tr. at 160 (Hickerson).
[71] *See* CR/PR at Table III-13 (increase in domestic shipments of ERW shipments under 24 inches); Tr. at 82 (Scram).

required the larger diameter pipe produced by that technology.[72] Additionally, railcars have increasingly been used for the transportation of oil over long distances, decreasing the demand for CWLDLP.[73]

Apparent U.S. consumption decreased by 38.3 percent during the period of review, despite an increase from 2011 to 2012.[74] Apparent U.S. consumption increased from 2.6 million short tons in 2007 to 2.8 million short tons in 2008 and then fell to 1.5 million short tons in 2009, increased to 1.8 million short tons in 2010, declined to 1.5 million short tons in 2011, and then increased to 1.6 million short tons in 2012.[75]

Demand is particularly difficult to predict in this industry. There are many uncertainties involved in developing new pipeline projects. The projects have long lead times and may be cancelled or delayed due to political uncertainties, questionable commercial viability, or difficulties in obtaining necessary approval from government authorities.[76] One of the largest pending projects, the 2000-mile fourth stage of the Keystone XL project was delayed for environmental reasons and has yet to obtain approval.[77] These concerns, as well as general economic uncertainty, also constrain the capital spending needed for developing pipelines.[78]

In addition to these uncertainties, there has been a divergence between CWLDLP demand and oil and gas production. Historically, oil and natural gas production drove demand for CWLDLP. Between 2007 and 2012, however, petroleum and gas production increased by 28 and 25 percent, respectively, while apparent U.S. consumption of CWLDLP fell by 38 percent over the same period.[79] These difficulties in predicting demand are evidenced in conflicting responses regarding future demand from industry participants. Most purchasers and importers expect that demand will fluctuate or increase, while the domestic producers expect demand will fluctuate or decrease.[80]

2. Supply Conditions

The domestic industry's production capacity for CWLDLP in 2012 consisted of over *** short tons of HSAW capacity, *** short tons of ERW capacity, and *** short tons of LSAW

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[72] Tr. at 125 (Takeuchi).

[73] CR at II-8, PR at II-6.

[74] CR/PR at Table C-1.

[75] CR/PR at Table I-7. Apparent U.S. consumption was 484,758 short tons in interim 2012 (January-March) and 357,193 short tons in interim 2013.

[76] CR at II-9, PR at II-6, Table C-1.

[77] Domestic Producers' Prehearing Brief at 5, Exhibit 2.

[78] CR at IV-44 to IV-45, PR at IV-18-IV-19. Domestic Producers' Prehearing Brief at 7. Tr. at 89-90 (Delie).

[79] CR at II-9, Table C-1, PR at II-6, Table C-1.

[80] CR/PR at Table II-6. Six of nine U.S. producers expect that demand will fluctuate, two expected no change while one indicated it would decrease. Five of 12 importers expect demand will increase and seven importers indicated demand will fluctuate. Eleven of 21 purchasers expect demand to increase, five purchasers expect it to fluctuate, and five expect no change. CR/PR at Table II-6.

capacity.[81] PSL, United Spiral Pipe, and Welspun have begun domestic production of CWLDLP since 2007, and each firm utilizes HSAW as a production method.[82] The domestic industry added over 900,000 short tons of HSAW capacity during the period of review.[83] [84] Domestic producers supplied less than half of the CWLDLP shipments to the U.S. market between 2007 and 2009, with market shares ranging from 32.3 to 37.5 percent of apparent U.S. consumption, but became the largest supplier for 2010 to 2012, with market shares ranging from 57.2 to 67.2 percent of apparent U.S. consumption.[85]

There are two Japanese producers of CWLDLP, the Respondents in this review, Nippon and JFE. These firms produce CWLDLP by the LSAW and ERW production methods but do not produce HSAW pipe.[86] They produce a variety of products other than CWLDLP using the same equipment and employees with which they produce CWLDLP.[87] During 2012, CWLDLP accounted for *** percent of the two Japanese producers' production while excluded line pipe and other pipe products accounted for the remaining share.[88]

Subject imports maintained a minimal share of the U.S market during the period of review, accounting for *** of apparent U.S. consumption.[89] The Japanese producers continued to ship excluded products to the United States in substantial quantities during the period of review. Exports from Japan to the United States of all large diameter line pipe (which includes both excluded products and subject CWLDLP) increased from 61,222 short tons in 2010 to 177,497 short tons in 2012.[90] Subject imports are sold through distributors while the domestic like product is predominantly sold directly to end users.[91]

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[81] CR/PR at Tables III-7, III-8 and III-9.

[82] CR at III-1, PR at III-1.

[83] CR/PR at Table III-1. In 2009, Berg Steel Pipe built a new HSAW mill in Mobile, Alabama. PSL began production at a new HSAW mill in Bay St. Louis, Mississippi; Stupp commissioned a new HSAW mill in Baton Rouge, Louisiana; United Spiral Pipe opened a new HSAW mill in Pittsburg, California; and Welspun commissioned a new HSAW mill in Little Rock, Arkansas. *Id.*

[84] Commissioner Pearson notes that the significant increase in domestic production capacity during the period of review has fundamentally changed the structure of the U.S. market. In particular, the large amount of unused capacity in the market, whether for HSAW pipe or for other types of CWLDLP, will likely lead to increased competitive pressures, characterized primarily by intense price competition. These pressures will face not only U.S. producers, but also any other CWLDLP suppliers that would attempt to enter the market. It likely would be more difficult for subject imports to make inroads into the U.S. market in the reasonably foreseeable future than would have been the case if the order had been revoked at the time of the previous review.

[85] CR/PR at Table I-8.

[86] CR/PR at Tables IV-14, IV-15, and IV-16.

[87] CR at IV-27, PR at IV-10.

[88] CR/PR at Tables IV-14, IV-15, and IV-16. Excluded line pipe consists of welded line pipe outside of the scope of the antidumping duty order while other pipe products include products such as structural, OCTG, and standard pipe. *Id.*

[89] CR/PR at Table I-8.

[90] CR/PR at Table IV-20.

[91] CR/PR at Table II-1.

Nonsubject imports accounted for the majority of shipments to the U.S. market at the beginning of the period, but were overtaken by domestic producers' shipments in 2010.[92] The leading sources of nonsubject imports during 2012 were Canada, Korea, and the United Kingdom.[93]

3. Substitutability

CWLDLP is produced to a variety of different specifications that include grade, outside diameter, wall thickness, length, and other technical specifications.[94] Seventeen of 19 purchasers and eight of 13 importers indicated that CWLDLP from Japan and the domestic like product were always or frequently interchangeable.[95] The majority of purchasers also indicated that domestically produced CWLDLP and the subject imports were comparable with respect to 14 out of 15 specified characteristics.[96] The exception was delivery time, for which the U.S. product was viewed as superior to Japanese CWLDLP.[97] Thus, when made to the same specifications, the record indicates that purchasers view the domestic product and the subject imports as interchangeable.[98]

In addition, most responding purchasers reported that they require suppliers of CWLDLP to become certified or prequalified for all of their purchases.[99] Once prequalified, price and delivery become the key considerations in determining which bid is accepted.[100] Based on this record, we find a high degree of substitutability between the subject imports and the domestic like product.[101]

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[92] Nonsubject imports' share of apparent U.S. consumption was *** percent in 2007, *** percent in 2008, *** percent in 2009, *** percent in 2010, *** percent in 2011, and *** percent in 2012. CR/PR at Table I-8. Nonsubject imports' share was *** in interim 2012 and *** percent in interim 2013.

[93] CR/PR at Table IV-2.

[94] CR at I-20, PR at I-17; CR/PR at Table III-2.

[95] CR/PR at Table II-12. The seven responding domestic producers indicated that they were always interchangeable. *Id.*

[96] CR/PR at Table II-13 (availability, delivery time, discounts offered, extension of credit, minimum quantity requirements, packaging, price, product consistency, quality meets industry standards, quality exceeds industry standards, product range, reliability of supply, technical support/service, and U.S. transportation costs).

[97] CR/PR at Table II-13.

[98] The record shows that when produced to the same specifications, pipe produced by the LSAW and HSAW production methods may be used interchangeably. Tr. at 51 (Delie); Tr. at 25 (Berg). *See also* Domestic Producers' Posthearing Brief at Exhibit 1 (email from Wayne Norris of Dura Bond indicating that customers generally accept LSAW or HSAW, though one customer only accepts LSAW but is qualifying HSAW).

[99] CR at II-18, PR at II-13.

[100] *See, e.g.,* Questionnaire Response of *** at IV-7.

[101] *See* CR at II-25, PR at II-18.

D. Revocation of the Antidumping Order is Likely to Lead to the Continuation or Recurrence of Material Injury to the Domestic Industry within a Reasonably Foreseeable Time

1. Likely Volume of Subject Imports

At the end of the original period of investigation, subject imports from Japan had captured almost *** of the U.S. market.[102] After the antidumping duty order was imposed, subject imports from Japan declined sharply, and during the current period of review, subject imports accounted for less than *** of the U.S market.[103] Despite the limited presence of subject imports during the period of review, several factors indicate that Japanese producers have the ability and incentive to increase significantly exports of CWLDLP to the United States if the antidumping duty order were revoked.

Reported Japanese production and capacity were significant throughout the period of review, despite annual fluctuations.[104] Reported capacity fluctuated in conjunction with production, and the production of subject merchandise varied greatly on an annual basis as the subject producers shifted their mix of steel pipe products produced on the same equipment and by the same employees that produce CWLDLP.[105] Between 2007 and 2012 Japanese rated capacity (or "nameplate capacity"), which is a theoretical maximal capacity, for LSAW and ERW production declined from *** short tons to *** short tons while the industry's average capacity, which reflects product mix, fell from *** short tons to *** short tons.[106] Consequently, overall rated capacity exceeded average capacity by a wide margin throughout the period of review. In addition, the average capacity figures reported by subject producers do not represent an actual hard limit on production quantities. For example, the Japanese

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[102] The market share of subject imports from Japan was *** percent in 1998, *** percent in 1999, and *** percent in 2000. CR/PR at Table I-1.

[103] CR/PR at Table I-2. Subject imports from Japan were *** short tons in 2007, *** short tons in 2008, *** short tons in 2009, *** short tons in 2010, *** short tons in 2011, and *** short tons in 2012. Subject imports were *** short tons in interim 2012 and *** short tons in interim 2013. CR/PR at Table I-7. In 2007 and 2008, subject imports from Japan were *** percent of apparent U.S. consumption and that was their highest share of apparent U.S. consumption during the review period. CR/PR at Table I-8.

[104] We have relied upon data for the Japanese industry's total steel capacity for the production of CWLDLP and other steel pipe products that they produce on the same equipment and with the same employees. *See* CR/PR at Tables IV-14, IV-15, and IV-16.

[105] Japanese production of subject line pipe was *** short tons in 2007, *** short tons in 2008, *** short tons in 2009, *** short tons in 2010, *** short tons in 2011, and *** short tons in 2012. CR/PR at Table IV-16.

[106] CR/PR at Table IV-16. Respondents explained that rated capacity ***, while the reported actual average capacity varies depending on the actual product mix produced on that machinery in individual years of the review period. Respondents' Posthearing Brief, Answers to Commissioners' Questions at 10. Thus, the actual average capacity will be affected by the various specifications, such as diameter and wall thickness, of the pipe that is actually produced on the machinery in any given year. *Id.* at 10-11.

industry operated at *** in 2007, yet it *** of subject CWLDLP by *** short tons in 2008 relative to 2007.[107]

Nevertheless, even by their own calculations, Japanese producers have sufficient excess capacity to supply an appreciable share of the U.S. market. In 2012, the Japanese producers reported excess CWLDLP capacity of *** short tons, equivalent to *** percent of apparent U.S. consumption that year.[108]

The existence of excess capacity is reflective of the fact that Japanese producers experienced declining shipments of their large diameter line pipe products during the period of review. The Japanese industry's total production of large diameter line pipe (both subject and nonsubject) and other pipe products declined from *** short tons in 2007 to *** short tons in 2012.[109] As previously discussed, the subject producers produce CWLDLP and several other pipe products on the same equipment and with the same employees.[110] Although the Japanese producers have indicated that existing customer relationships will prevent a shift in product mix, their declining shipments of products other than CWLDLP made at the same facilities indicate that product shifting is likely should the order be revoked.[111]

Furthermore, the Japanese producers' own data indicate that excess capacity exists primarily in their ERW mills.[112] As we have discussed, U.S. demand is growing for smaller diameter CWLDLP products produced by ERW that can be used for on-shore projects related to extraction of oil and gas from shale deposits. Given the Japanese producers' declining production over the period of review and the existence of this excess capacity, we find that the subject producers in Japan are likely to seek to capture a greater portion of this growing market if the order were revoked.

That the Japanese producers are currently actively selling large diameter line pipe in the United States supports this finding. Japanese exports of subject and excluded large diameter welded pipe products to the United States remained substantial during the period of review. These exports totaled 145,563 short tons in 2007, declined to a period low of 61,222 short tons in 2010, and then increased to 177,497 short tons in 2012.[113] Thus, Japanese producers JFE and

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[107] CR/PR at Table IV-16. During ***. CR at IV-30, PR at IV-11. Similarly, ***. CR at IV-30, PR at IV-11. Thus, the Japanese producers have repeatedly demonstrated an ability to produce beyond their reported average capacity, which further demonstrates that this reported capacity is not an actual limit on production.

[108] *See* CR/PR at Tables I-8, IV-16.

[109] CR/PR at Table IV-16.

[110] CR at IV-27, PR at IV-10.

[111] *See* Respondents' Posthearing Brief Answers to Commissioners' Questions at 8-9. Japanese producers' shipments of other pipe products and excluded line pipe fell from *** short tons in 2007 to *** short tons in 2012. CR/PR at Table IV-16.

[112] CR/PR at Table IV-14.

[113] CR/PR at Table IV-20. In 2008 Japanese exports of subject and excluded large diameter line pipe to the United States were 158,879 short tons. In 2009, they were 103,462 short tons, and in 2011, they were 147,935 short tons. CR/PR at Table IV-20.

Nippon have maintained distribution networks for welded large diameter line pipe in the United States that would likely be used for CWLDLP upon revocation.[114]

Several other factors contribute to the likelihood that Japanese producers would increase their exports of CWLDLP to the United States if the order were revoked. The Japanese CWLDLP industry is export-oriented with virtually no home market demand. Japanese shipments to their home market ranged from *** percent to *** percent of their total CWLDLP shipments between 2007 and 2012.[115] During the period of review, the Japanese industry has faced increasing competition in its export markets and suffered declines in its export sales. Japanese export shipments of large diameter line pipe fell from 1.5 million short tons in 2007 to 1.2 million short tons in 2012.[116] Meanwhile, exports of large diameter line pipe from India, Germany, and Korea that compete with Japanese exports were growing during the period of review.[117] Further, while China previously was a large importer of large diameter line pipe, it has become a net exporter during the period of review, thus creating additional competition in the global large diameter line pipe market.[118]

Furthermore, as a large market, the United States is attractive for exporters. The United States currently accounts for 35.8 percent of global large diameter gas pipeline construction and 26.9 percent of large diameter pipeline construction for crude oil.[119] Notwithstanding the difficulties in projecting future demand that we have previously discussed, the level of activity for projects either underway or set to begin in 2013 indicates that the United States will likely continue to be a major source of demand for oil and gas pipeline construction in the reasonably foreseeable future.[120] In fact, even with the antidumping duty order in place, the United States is the third largest export market for the Japanese producers for large diameter line pipe due primarily to their exports of excluded line pipe.[121] Japan's total exports of all large diameter line pipe to the United States increased over the review period, further demonstrating the importance of the U.S. market.[122]

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[114] There were at least eight companies that imported subject CWLDLP or the excluded products from Japan during the period of review. CR/PR at Table I-6. Six of these importers are owned by Japanese parents. CR/PR at Table I-6.

[115] CR/PR at Table IV-13.

[116] CR/PR at Table IV-20 (subject CWLDLP and excluded line pipe).

[117] CR/PR at Table IV-23.

[118] CR at IV-44, PR at IV-18.

[119] CR at IV-47, PR at IV-19.

[120] CR/PR at Table IV-22 (indicating that the United States is currently one of the most active locations of for oil and gas pipeline construction projects).

[121] CR/PR at Table IV-20.

[122] CR/PR at Table IV-20. As noted, total Japanese exports of excluded products and subject CWLDLP to the United States increased from 61,222 short tons in 2010 to 177,497 short tons in 2012. *Id.*

U.S. imports of excluded products have likewise increased. U.S. imports of excluded line pipe from Japan totaled *** short tons in 2007, *** short tons in 2008, *** short tons in 2009, *** short tons in 2010, *** short tons in 2011, and *** short tons in 2012. CR/PR at Table IV-2.

We also note that the U.S. market offers competitive to attractive prices for CWLDLP in certain segments relative to other export markets available to the subject producers. In the latter half of 2012 and first half of 2013, prices in the United States for ERW X-42 line pipe averaged over $*** per short ton higher than Japanese export prices.[123] Although Japanese export prices for LSAW X-65 were higher than prices in the United States for that product, we anticipate that the U.S. market for smaller and thinner-walled pipes produced by the ERW method would be of particular interest to the Japanese producers and the size of the U.S. market would attract LSAW exports from Japan, even if U.S. prices for that product are lower than in some other markets.[124]

The Japanese producers argue that because they are focused on supplying what they call "critical application" CWLDLP they have no incentive to supply the U.S. market given its growing demand for non-critical CWLDLP for on-shore extraction of oil and gas from shale deposits. The record, however, does not support the Japanese producers' contention that they are solely interested in supplying "critical application" CWLDLP products which they allege the U.S. industry does not produce. First, the record does not establish a clear definition of critical application pipe. Domestic producers admit that there are certain types of large diameter line pipe, such as the kind used in deepwater applications, which they do not produce.[125] Given that U.S. producers do not make these products, however, they have been excluded from the scope of the order.[126] Domestic producers maintain that they produce everything within the scope, while Respondents argue there are pipes covered by the scope that they consider to be critical application pipes and that the U.S. industry does not produce.[127] The Japanese producers provided some characteristics of what they refer to as critical application pipe, and one of the characteristics is pipe that meets the specification for API grade X-70 or greater, which the domestic industry produces.[128] In sum, the Japanese producers' and domestic industry's shipments reflect substantial overlap in grade, diameter and wall thickness, which suggests significant overlap in CWLDLP production.[129] To the extent the Japanese producers are focused

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[123] CR/PR at Table IV-24.

[124] CR/PR at Table IV-25.

[125] *See* Tr. at 45 (Delie); Tr. at 61 (Schagrin).

[126] Tr. at 61 (Schagrin).

[127] *See* Tr. at 80 (Delie); Tr. at 132 (Klett).

[128] *See* Respondents' Posthearing Brief, Answers to Commissioners' Questions at 2-3; CR/PR at Table III-12.

[129] Although the Japanese shipments of CWLDLP are concentrated in sizes with larger diameters and thicker walls than the U.S. producers' shipments, there is substantial overlap between the Japanese producers' and U.S. producers' shipments of CWLDLP. *Compare* CR/PR at Tables III-13 *with* IV-18 (outside diameter); CR/PR at Tables III-12 *with* IV-17 (grades); CR/PR at Tables III-14 *with* IV-19 (wall thickness). Respondents also argue that they are focused on production of LSAW pipe and thus will not compete with U.S. producers' production of HSAW pipe. *See, e.g.*, Respondents' Prehearing Brief at 5, 8. As discussed previously, however, LSAW pipe may be used in some of the same projects and for the same applications as HSAW pipe, so these different production methods likely will not be a significant (Continued…)

on particular specifications not supplied by the domestic industry, their definition of "critical application" CWLDLP is not sufficiently specific to enable such an assessment.[130]

Moreover, while the Japanese producers' data indicate that shipments of what they deem critical application CWLDLP constituted the majority of their shipments of subject line pipe, they do not demonstrate that they exclusively focus on such products.[131] Nippon, the larger of the two Japanese producers, increased its production of non-critical CWLDLP from 2010 to 2012, suggesting it will increase production of non-critical CWLDLP in response to increased demand and contradicting the Respondents' argument that Japanese producers are increasingly focused on critical application pipe production.[132] While JFE's production of non-critical CWLDLP declined substantially from 2010 to 2012, it increased its production of non-critical CWLDLP from *** short tons in 2009 to *** short tons in 2010, demonstrating its ability to increase rapidly its production of non-critical CWLDLP.[133] *** further indicating that the Japanese producers remain interested in selling non-critical application CWLDLP despite their insistence that they are focused on critical application CWLDLP.[134]

The Japanese producers also argue that they are committed to supplying critical application projects that will require all of their capacity in the near future, that they have provided their business plans related to these projects, and that consequently, they have no incentive to increase their U.S. exports of the subject merchandise.[135] While we acknowledge that the business plans submitted by the Japanese producers are helpful as the plans indicate the projects they are targeting, we find that many of these projects face an uncertain future.[136] So far, ***.[137] Similarly, *** but there is an actual order of pipe for only *** of those projects.[138] Moreover, Japanese producers have had years to develop their non-U.S. markets for the products made in their CWLDLP mills, ***.[139] We find that the record data on Japanese

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(…Continued)
impediment to competition between the Japanese producers and domestic producers if the order were to be revoked.

[130] *See* Respondents' Posthearing Brief, Answers to Commissioners' Questions at 2-3 (indicating characteristics of "critical application" CWLDLP including the following: resistance to sour environments, accomplished through further refining to increase the purity of the steel; refined grain size of the steel plate used as a production input which affects the ability to withstand low temperatures; API grade X-70 or greater, a characteristic affecting the strength of the steel; high deformability; and high pressure-crushing properties).

[131] *See* Respondents' Posthearing Brief, Exhibits 1 and 2 (Nippon and JFE's production of critical and non-critical line pipe). The Japanese producers produced *** short tons of non-critical CWLDLP during 2012. *Id.*

[132] Respondents' Posthearing Brief at Exhibit 1.

[133] Respondents' Posthearing Brief at Exhibit 2.

[134] Tr. at 208-09 (closed session) (Takeuchi).

[135] Respondents' Posthearing Brief at 6-9. *See also* Tr. at 188-190 (closed session) (Nakayama) and 203-205 (Takeuchi).

[136] CR at IV-46, PR at IV-19 ***.

[137] Respondents' Prehearing Brief at Exhibit 2.

[138] Respondents' Prehearing Brief at Exhibit 1.

[139] CR/ PR at Table IV-16.

producers' declining export sales in the face of greater competition in export markets, combined with the industry's capacity data which reflects excess capacity, rated capacity far exceeding average capacity, and an ability to produce above average capacity, are more probative as to the Japanese industry's likely interest in supplying the U.S. market upon revocation, than the industry's predictions in this proceeding about future business prospects. In addition, the *** demonstrates a willingness and ability to ship non-critical application CWLDLP to North America. As explained above, ***. The CWLDLP being used in this project is non-critical application LSAW line pipe.[140] Notwithstanding the business plans presented by the Japanese Respondents, therefore, we are persuaded that a significant volume of subject line pipe from Japan is likely to be directed to the U.S. market in the reasonably foreseeable future in the event of revocation.

Respondents also contend that JFE will not compete with California Steel, Inc. ("CSI"), a U.S. mill in which JFE has invested ***.[141] We find that this investment does not indicate that the Japanese producers are unlikely to increase their shipments of CWLDLP to the United States if the order were revoked. Production of ERW will not begin at CSI until at least the latter half of 2014.[142] Moreover, Respondents do not contend that the joint venture will have a restraining effect on Nippon, the larger of the two Japanese producers.

In short, given the Japanese industry's significant excess capacity, ability to shift production, export orientation, declining shipments to other markets, and the attractiveness of the U.S. market, we conclude that subject imports from Japan are likely to increase to significant levels if the order were revoked. Accordingly, based on the record in this review, we conclude that the volume of subject imports from Japan, both in absolute terms and relative to production and consumption in the United States, would likely be significant in the reasonably foreseeable future absent the restraining effect of the order.[143]

2. Likely Price Effects

As described above, subject imports from Japan and the domestic like product are highly substitutable and suppliers are generally prequalified prior to bidding. Purchasers ranked price as among the three most important factors in making purchasing decisions more frequently

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[140] *See* JFE's Answers to ITC Supplemental Questions (email of August 13, 2013). ***. This line pipe ***.

[141] Respondents' Posthearing Brief at 14-15.

[142] CR at III-7, PR at III-5.

[143] We have also considered inventories of the subject imports and possible barriers to the importation of CWLDLP in third-country markets. The Japanese CWLDLP industry's ratio of inventories to shipments increased to a period high of *** percent in the first quarter of 2012 and the industry's inventories totaled *** short tons. CR/PR at Table IV-13. Inventories of the subject merchandise in the United States were minimal. *See* CR/PR at Table IV-11. There are no known tariff or non-tariff barriers affecting CWLDLP from Japan in any country other than the United States. CR at IV-25, PR at IV-10.

than any other factor.[144] All but two responding purchasers indicated that price is a very important factor in purchasing CWLDLP, and almost all responding purchasers indicated that they either "sometimes" or "usually" purchase the lowest price CWLDLP.[145] We therefore conclude that price is an important factor in purchasing decisions.

During the original investigations, Japanese CWLDLP undersold the domestic like product in *** of *** comparisons at margins ranging from *** percent to *** percent.[146] During the first reviews, the subject imports undersold the domestic like product in *** of *** quarterly comparisons at margins ranging from *** to *** percent.[147]

In this review, the Commission collected pricing data for five CWLDLP products.[148] Pricing data accounted for approximately *** percent of U.S. producers' shipments and approximately *** percent of subject imports from Japan in 2012.[149] The pricing data indicate that the subject imports continued the pattern of underselling observed in the original investigations and first reviews. During the period of review, the subject imports undersold the domestic like product in 23 of 26 price comparisons at margins ranging from *** to *** percent.[150] The Japanese producers' stated focus on "critical application" CWLDLP has not precluded subject imports from underselling and competing with the domestic like product for sales in the U.S. market during the review period. Given the consistent pattern of underselling during the original investigation, first reviews and this period of review, we find the pattern of underselling is indicative of likely pricing behavior if the order were revoked. Thus, given the importance of price and their history of underselling, we find that the Japanese producers are likely to engage in significant underselling to win sales and gain market share in the U.S. market as they did in the original investigations should the order be revoked.

Despite the underselling by the subject imports, prices for domestically produced CWLDLP generally increased during the period of review.[151] Domestic prices for the ERW pricing

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[144] CR/PR at Table II-10. Price was reported to be the second or third most important factor after quality, availability. *Id.*

[145] CR at II-16, PR at II-11.

[146] CR/PR at Table V-15.

[147] First Reviews, USITC Pub. 3953, at 28.

[148] *See* CR at V-7, PR at V-5.

[149] CR at V-7, PR at V-5.

[150] CR/PR at Table V-14. Price comparisons compiled in this review reflect nineteen instances in which LSAW manufactured subject imports undersold the domestic like product, and three instances in which LSAW manufactured subject imports oversold the domestic like product. The price comparisons also reflect four instances in which ERW manufactured subject imports undersold the domestic like product and no instances in which ERW manufactured subject imports oversold the domestic like product. *Id.*

[151] *See* CR/PR at Table V-13. The Japanese producers challenge the probative value of the pricing data because most sales by domestic producers were to end users, while most subject import sales were to distributors. Respondents' Prehearing Brief at 51-52. The Commission followed its normal practice of collecting pricing information for the first arms-length transaction in the United States. (Continued…)

products generally increased while trends for the HSAW and LSAW products were more mixed.[152] Due to the minimal presence of the subject imports in the U.S market during the period of review, it is not surprising that the underselling had limited effects on pricing. With the anticipated increase in the volume of subject imports, this would not be the case upon revocation.

We also find that if the antidumping order were revoked, Japanese CWLDLP producers would likely intensify their underselling strategy. Japanese producers have significant incentives to increase their exports to the United States, as discussed above, and given the importance of price in the U.S. market and the high substitutability of Japanese and domestic CWLDLP, underselling would be the means by which they would seek to increase their shipments of CWLDLP and market share. The likely significant underselling by a significant volume of subject imports from Japan would likely have other adverse price effects. Subject import underselling would likely depress domestic prices, as in the original investigation, or cause price suppression, because domestic producers would have to lower their prices or restrain price increases in response to subject import competition to avoid losing bids for major projects. We consequently conclude that revocation of the order on CWLDLP from Japan would likely result in significant price depressing or suppressing effects.

3. Likely Impact

We find that several factors indicate that the industry is susceptible to material injury although we ultimately conclude that the domestic industry is not currently in a vulnerable condition. As noted, the domestic industry added to its capacity during the period of review by opening new HSAW mills.[153] Capacity increased in response to expectations that increased drilling for oil and gas would result in increased need for pipeline construction, particularly the larger diameter pipe used in long-distance transmission pipelines.[154] Much of that capacity,[155] however, remains unused and the industry operated at utilization rates below 50 percent

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(…Continued)
Respondents did not offer an alternative method of collecting pricing information in their comments on the draft questionnaires. *See* Respondents' Comments on Draft Questionnaires (April 2, 2013).

[152] CR at V-28, PR at V-7.

[153] CR/PR at Table III-1. Berg Steel Pipe and Stupp were established producers that added HSAW production in addition to other production methods in use during the previous reviews. PSL, United Spiral Pipe, and Welspun began production during the period of review, and all used HSAW as one of their production methods. *Id.*

[154] Domestic Producers' Prehearing Brief at 4-5. As a result, the industry's capacity increased from *** short tons in 2005 to 2.0 million short tons in 2007, rising further to 3.3 million short tons in 2012. Domestic Producers' Prehearing Brief at 10; CR/PR at Table C-1.

[155] CR/PR at Table III-5. The domestic industry's capacity was 2.0 million short tons in 2007, 2.1 million short tons in 2008, 3.0 million short tons in 2009, 3.1 million short tons in 2010, 3.2 million short tons in 2011 and 3.3 million short tons in 2012. Its capacity was 812,785 short tons in interim 2012 and 887,158 short tons in interim 2013. *Id.*

during most of the period of review.[156] As discussed above, U.S. demand for the subject merchandise, particularly HSAW, has not met the domestic industry's expectations due to a shift toward local pipeline development due to discoveries of new shale gas fields as well as increased reliance on rail transportation.[157] The fourth stage of the Keystone XL project, which began its application for approval by the U.S. Government in 2007, has not been approved, depressing demand and adding to uncertainty in the market.[158] Although the industry increased its market share,[159] production,[160] and shipments[161] over the period of review, economic and regulatory uncertainty has made demand for CWLDLP in pipeline projects less predictable and we find that it is not likely that demand will be sufficient to absorb the additional capacity added by the domestic industry.[162] The domestic industry also holds substantial volumes of CWLDLP in inventory,[163] and substantial quantities of CWLDLP purchased for the Keystone XL pipeline will be sold into the U.S. market if the pipeline ultimately is not approved.[164]

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[156] CR/PR at Table III-5. The domestic industry's capacity utilization rate was 43.3 percent in 2007 percent, 51.7 percent in 2008, 20.8 percent in 2009, 35.8 percent in 2010, 35.9 percent in 2011, and 37.0 percent in 2012. Capacity utilization was 31.6 percent in interim 2012 and 34.8 percent in interim 2013. *Id.*

[157] *See* CR at II-8, PR at II-6; Tr. at 125 (Takeuchi).

[158] *See, e.g.,* Domestic Producers' Prehearing Brief at 5, Exh. 2; Respondents' Prehearing Brief at Exh. 19; Tr. at 20-23 (Delie).

[159] The domestic industry's market share was 32.3 percent in 2007, 36.6 percent in 2008, 37.5 percent in 2009, 59.6 percent in 2010, 67.2 percent in 2011, and 57.2 percent in 2012. Its market share was 51.8 percent in interim 2012 and 37.9 percent in interim 2013. CR/PR at Table I-8.

[160] The domestic industry's production increased from 869,953 short tons in 2007 to 1.1 million short tons in 2008 before falling to 620,885 short tons in 2009 and then increasing to 1.1 million short tons in 2010, 1.1 million short tons in 2011, and 1.2 million short tons in 2012. CR/PR at Table III-5. Production was 256,660 short tons in interim 2012 and 308,437 short tons in interim 2013. *Id.*

[161] In terms of quantity, U.S. producers' U.S. shipments increased from 832,565 short tons in 2007 to 1.0 million short tons in 2008, before declining to 574,547 short tons in 2009, and increasing again in 2010 to 1.1 million short tons. U.S. shipments were 1.0 million short tons in 2011 and 908,293 short tons in 2012. U.S. shipments were 251,270 short tons in interim 2012 and 135,439 short tons in interim 2013. CR/PR at Table III-11.

[162] CR at IV-44 to IV-45, PR at IV-18 to IV-19. The parties indicated that the traditional relationship between oil and gas drilling and demand for CWLDLP did not continue during the period and demand for replacement CWLDLP was unexpectedly weak. Tr. at 48 (Schagrin) (Delie).

[163] End-of-period inventories increased from 86,523 short tons in 2007 to 344,249 short tons in 2012. They were 261,943 short tons in interim 2012 and 427,987 short tons in interim 2013. CR/PR at Table III-15. Inventories increased from *** percent of total shipments to *** percent in 2012. *Id.* We note that one domestic producer accounted for the vast majority of the inventories in 2012. CR at III-25, PR at III-11.

[164] Approximately 880,000 short tons of CWLDLP for the pending Keystone XL project has already been purchased by TransCanada, but may be resold on the market if the project is not approved. CR at II-12, PR at II-9.

In addition, the financial performance of the domestic industry fluctuated during the period of review and was lower in 2012 than in 2007. The industry reported operating income of $128.5 million in 2007 and $220.1 million in 2008, before reporting a loss of $51.7 million in 2009.[165] It thereafter reported operating income of $154.5 million in 2010, $102.7 million in 2011 and $112.6 million in 2012.[166] Operating income to net sales ratios followed a similar pattern, first increasing from 11.4 percent in 2007 to 13.1 percent in 2008, but then declining to a ratio of negative 6.6 percent in 2009, before increasing to 10.7 percent in 2010, and then declining to 6.9 percent in 2011 and 6.8 percent in 2012.[167]

Other indicators reflected positive trends. Total net sales fluctuated but increased overall during the period of review, on both a volume and value basis.[168] The number of production and related workers, total hours worked, hours worked per worker, capital expenditures[169] and total wages all fluctuated and increased overall during the period from 2007 to 2012.[170] Hourly wages and productivity, however, decreased overall.[171]

We have found that the volume of subject imports would likely be significant in the reasonably foreseeable future if the orders were revoked. Any such increase in subject import volume would likely outpace any increase in likely demand, given that demand trends are uncertain and apparent U.S. consumption declined during the period of review. In light of this and the substitutability of the subject imports and domestic like product, any increase in subject imports would likely lead to declines in the domestic industry's production, shipments, market share, and employment.

We have further found that additional volumes of subject imports would be priced in a manner that would likely have significant depressing or suppressing effects on prices of the

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[165] CR/PR at Table III-18.

[166] CR/PR at Table III-18. The domestic industry reported operating losses of $496,000 in interim 2012 and $8.4 million in interim 2013. *Id.*

[167] CR/PR at Table III-18. The domestic industry reported an operating income ratio of negative 0.1 percent in interim 2012 and negative 2.9 percent in interim 2013. *Id.*

[168] On a quantity basis, total net sales were 878,107 short tons in 2007, 1.1 million short tons in 2008, 518,022 short tons in 2009, 953,011 short tons in 2010, 1.0 million short tons in 2011, and 1.2 million short tons in 2012. Total net sales were 251,271 short tons in interim 2012 and 224,684 short tons in interim 2013. On a value basis, total net sales were $1.1 million in 2007, $1.7 million in 2008, $784,297 in 2009, $1.4 million in 2010, $1.5 million in 2011, and $1.6 million in 2012. Total net sales were $352,834 in interim 2012 and $288,917 in interim 2013. CR/PR at Table III-18.

[169] Capital expenditures totaled $*** in 2007, $*** in 2008, $*** in 2009, $*** in 2010, $*** in 2011, and $*** in 2012. They totaled $*** in interim 2012 and $*** in interim 2013. CR/PR at Table III-21.

[170] The domestic industry employed 1,044 production and related workers in 2007 and 1,688 in 2012. Hourly wages were $28.41 in 2007 and $25.61 in 2012. Hours worked increased from 2.1 million in 2007 to 3.4 million in 2012. Hours worked per worker increased from 2,039 in 2007 to 2,040 in 2012. Total wages paid increased from $60.5 million in 2007 to $87.2 million in 2012. CR/PR at Table III-17.

[171] Productivity in short tons per thousand hours fell from 408.8 in 2007 to 357.2 in 2012. CR/PR at Table III-17.

domestic like product. Consequently, to compete with the likely additional volumes of subject imports, the domestic industry would need to cut prices, forego needed price increases, or lose sales, as it did in the original investigations; the resulting loss of revenues would likely cause further deterioration in the industry's financial performance. Therefore, we find that revocation of the order under review would likely have a significant adverse impact on the domestic industry.

We have also considered the role of factors other than subject imports so as not to attribute likely injury from other factors to the subject imports. While nonsubject imports are a factor in the U.S. market, from 2007 to 2012 their volume declined by *** percent, and their market share declined by *** percentage points.[172] Given the substitutability of CWLDLP from different sources,[173] if the order were revoked the likely significant volume of subject imports would likely compete with both the domestic like product and nonsubject imports. The continued presence of nonsubject imports in the U.S. market would not preclude subject imports from taking market share from the domestic industry or obviate the need for the domestic industry to lower prices in order to compete against the subject imports.

As discussed above, market participants anticipate that demand will likely either increase or fluctuate in the reasonably foreseeable future.[174] Nonetheless, as previously discussed, given the uncertainty concerning demand forecasts in the CWLDLP market, we do not find that any increase in demand is likely to insulate the domestic industry from incurring an adverse impact due to the likely significant volume and price effects of the subject imports.

IV. Conclusion

For the foregoing reasons, we determine that revocation of the antidumping duty order on CWLDLP from Japan would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time.

[172] CR/PR at Table C-1.

[173] *See* CR/PR at Table II-12 (majority of market participants found nonsubject imports always or frequently interchangeable with the domestic like product and subject imports).

[174] CR/PR at Table II-6.

SEPARATE AND DISSENTING VIEWS OF COMMISSIONER DANIEL R. PEARSON

I. INTRODUCTION

Section 751(d)(2) of the Tariff Act of 1930, as amended ("the Act"), requires that the U.S. Department of Commerce ("Commerce") revoke a countervailing duty or an antidumping duty order or terminate a suspended investigation in a five-year review unless Commerce determines that dumping or a countervailable subsidy would be likely to continue or recur and the U.S. International Trade Commission ("Commission") determines that material injury to a U.S. industry would be likely to continue or recur within a reasonably foreseeable time.[1] Based on the record in this second five-year review, I determine that material injury is not likely to continue or recur within a reasonably foreseeable time if the antidumping duty order on subject imports of certain welded large diameter line pipe ("CWLDLP") from Japan is revoked.

I join my colleagues' discussion regarding domestic like product, domestic industry, the legal standard governing five-year reviews, and conditions of competition. I write separately to discuss my analysis of the statutory factors.

II. REVOCATION OF THE ORDER ON SUBJECT IMPORTS FROM JAPAN IS NOT LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME

A. Likely Volume of Subject Imports

The Commission received complete foreign producers' questionnaire responses from both known producers of the subject product in Japan: Nippon Steel & Sumitomo Metal Corp. ("Nippon") and JFE Steel Corp. ("JFE").[2] The capacity allocated to production of the subject merchandise by the industry in Japan has apparently fluctuated greatly between the time of the original investigation and the present, with total capacity increasing from 616,248 short tons at the time of the original investigation to nearly 1.1 million short tons at the time of the first review (2006), then declining to *** short tons currently.[3]

In the original investigations, the Commission found that, on a cumulated basis with imports from Mexico, subject import volume from Japan was significant.[4] The quantity of subject imports from Japan declined from 217,138 short tons in 1998 to 141,955 short tons in

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[1] 19 U.S.C. § 1675(d)(2).

[2] CR at IV-21, PR at IV-8.

[3] CR/PR at Table IV-12.

[4] Certain Welded Large Diameter Line Pipe from Japan, Inv. No. 731-TA-919 (Final), USITC Pub. 3464 (Nov. 2001) at 23-25.

1999, and then increased to 173,062 short tons in 2000.[5] The share of the U.S. market held by subject imports from Japan declined from *** percent in 1998 to *** percent in 1999 and then increased to *** percent in 2000.[6]

In the first review of the order on Japan, the Commission majority examined subject imports from Japan separately from subject imports from Mexico and found that subject import volume from Japan was likely to be significant based on (1) the fact that Japan remained in the U.S. market after imposition of the order, selling through affiliated importers and thus retaining the distribution infrastructure necessary to re-supply the market; (2) the fact that the capacity of the Japanese industry was flexible, making it likely that the industry could, if necessary, produce at the peak level reached during the period of review; (3) the potential for significant product-shifting; and (4) the fact that local production was increasing in various key third-country markets, thus foreclosing Japanese export opportunities in those markets and forcing the Japanese industry to increase its focus on the U.S. market.[7] In my dissenting opinion, I determined that a surge into the U.S. market was unlikely in the reasonably foreseeable future due to, among other factors, the significant backlogs of welded LDLP orders relative to production in the Japanese market coupled with the fact that the Japanese industry engaged in so-called "frame agreements" with their home market and third-country market purchasers that constituted a very serious constraint on their ability to re-direct shipments to the U.S. market.[8]

On the record of this review, I find that allocated production capacity for the Japanese industry fluctuated markedly during the 2007 to 2012 period, likely reflecting changes in product mix. Since 2009, capacity allocated to production of the subject merchandise has increased by *** percent, and will likely increase further in calendar year 2013; if interim 2013 data were annualized, total capacity would exceed *** short tons, which would be a period high.[9] JFE *** and neither Nippon nor JFE reported any intention to increase capacity in the foreseeable future.[10] Capacity utilization for the subject product declined overall during the period of review from *** percent in 2007 to *** percent in 2012.[11] The *** capacity

[5] CR/PR at Table I-1.

[6] Id.

[7] Certain Welded Large-Diameter Line Pipe from Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review), USITC Pub. 3953 (Oct. 2007) at 21-27.

[8] Id. at 43-46.

[9] CR/PR at Table IV-13. Allocated capacity increased irregularly from *** short tons in 2009 to *** short tons in 2012. Allocated capacity in January-March 2013 was *** short tons compared with *** short tons in January-March 2012.

[10] CR at IV-25, PR at IV-9.

[11] CR/PR at Table IV-13.

utilization rate in 2012 translates to excess capacity in the Japanese industry of approximately *** short tons, which in turn represented *** percent of apparent U.S. consumption in that year.[12]

Although the amount of excess capacity in the Japanese industry at the end of the period of review was not insubstantial, I find that, if the order is revoked, the industry will not likely use this excess capacity to increase shipments to the U.S. market, primarily because there is a substantial likelihood that the industry will face binding sales commitment in non-U.S. markets. For example, industry executives from Nippon testified in the closed session of the Commission hearing that, for the period starting in May 2013 and continuing through calendar year 2014, Nippon ***.[13] More specifically, Nippon testified that, ***.[14] Although the record does not indicate how much excess capacity will be available in the Japanese industry in 2013 and 2014, this amount considerably exceeds the *** tons of excess capacity (based on average capacity) reported for 2012 and in fact is nearly *** the total capacity for LSAW pipe reported by Japanese producers for 2012.[15] In addition, ***.[16]

Of course, I am mindful that, except for the *** tonnage that JFE has already won, all of the projects cited by the industry are still in the planning stage, and such projects are subject to postponement or even cancellation. Indeed, domestic parties point this out, noting that at least *** of the projects that ***, for example, had identified as representing probable new business were either cancelled, delayed, or faced other uncertainties.[17] Nonetheless, even if only a few of those projects come to fruition in the reasonably foreseeable future, given the established reputation for quality that the Japanese producers apparently possess it would be unreasonable to conclude that they would not win at least a portion of that tonnage.[18]

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[12] CR/PR at Tables IV-13 & C-1. Capacity in 2012 was *** short tons, whereas production was *** short tons. Apparent U.S. consumption in 2012 was 1,588,332 short tons.

Based on average capacity to produce all products (the method preferred by domestic parties), the Japanese industry had approximately *** short tons of excess capacity in 2012, an amount equivalent to *** percent of U.S. apparent consumption. CR/PR at Tables IV-16 & C-1.

[13] Hearing transcript (Tr.) at 188-190 (confidential); Japanese respondents' pre-hearing brief at Exhibit 2.

[14] Tr. at 192 (Nakayama).

[15] CR/PR at Table IV-15. Total average capacity to produce LSAW pipe in Japan in 2012 was *** short tons.

[16] Japanese respondents' prehearing brief at Exhibit 1; Tr. at 203-206 (Takeuchi).

[17] Posthearing brief of U.S. Steel Corp., Exhibit 1, at 5.

[18] A majority of responding purchasers indicated that quality was the most important factor in their purchases and the record indicates that U.S. and Japanese product are highly substitutable. CR/PR at table II-9; CR at II-15; PR at II-13.

Moreover, given the large size of many of the projects, it would be reasonable to conclude that the tonnages involved would be substantial and would, at least to some degree, tax the ability of the Japanese industry to supply the products.

In addition, I note that in 2012, the *** majority of the excess capacity in the Japanese industry was in the category of ERW pipe rather than LSAW pipe.[19] This is significant given the fact that JFE has entered into a joint venture (California Steel Industries, Inc., or "CSI") to produce ERW pipe of up to 24 inches in outer diameter, to begin production in the second half of 2014.[20] Consequently, I find it unlikely that JFE will use whatever excess capacity for ERW pipe it may have at that time to compete with the output of its newly-minted joint venture.

Inventories of subject product held in Japan fluctuated during the period of review, both in absolute value and as ratios to production and total shipments.[21] The latter ratios ranged between *** percent and *** percent over the calendar years 2007 to 2012.[22] On the other hand, inasmuch as there were minimal shipments to the U.S. market during the period of review, there were virtually no inventories being held by U.S. importers, particularly at the end of the period.[23] Other than the antidumping order in the U.S. market, there are no trade barriers facing Japanese exporters of CWLDLP in any market.[24]

There is substantial potential for product-shifting, as the Japanese producers of CWLDLP reported using the same equipment and/or employees to produce a range of other steel products, including specifically excluded line pipe sizes, along with structural, OCTG, and standard pipe.[25] I find it unlikely, however, that Japanese producers will shift production of these alternate products to production of CWLDLP if the order is revoked because, during the period of review, any such shifting was modest despite evidence indicating that demand for

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[19] In 2012, JFE's capacity to produce ERW pipe was *** short tons, and it produced *** short tons, representing excess capacity of *** short tons. Nippon's capacity to produce ERW pipe was *** short tons, and it produced *** short tons, representing excess capacity of *** short tons. Questionnaire responses of JFE and Nippon.

[20] CR at I-42, n.48; PR at I-26, n.48.

[21] Inventories held in Japan decreased irregularly from *** short tons in 2007 to *** short tons in 2012. CR/PR at Table IV-13.

[22] CR/PR at Table IV-13. Inventories as a ratio to production ranged between a low of *** percent in 2008 to a high of *** percent in 2009. Inventories as a ratio to total shipments ranged between a low of *** percent in 2008 to a high of *** percent in 2009.

[23] CR/PR at Table IV-11. Inventories of subject imports held by U.S. importers were *** short tons in 2007, *** short tons in 2008, *** short tons in 2009, and *** for the remainder of the annual periods.

[24] CR at IV-25, PR at IV-10.

[25] CR at IV-27, PR at IV-10.

subject CWLDLP in non-U.S. markets was generally robust.[26] Rather, the mix of production between subject and non-subject products fluctuated randomly over the period.[27] Moreover, both Nippon and JFE have ***, making it unlikely that any significant product shifting could occur.[28]

Finally, with regard to global price levels, the record indicates that for ERW pipe, U.S. prices were consistently higher than Japanese and European prices in 2012 and the first half of 2013.[29] On the other hand, for LSAW pipe, the reverse pattern held true, with Japanese prices being the highest among the three markets during the latter part of the period of review, and with prices in the EU also exceeding U.S. prices.[30] Therefore, while there might be a price-based incentive for Japanese producers to ship ERW pipe to the U.S. market, there is no such incentive for LSAW pipe, which represents the bulk of Japanese production. In any event, ***, JFE would not be likely to use this excess capacity to increase shipments to the U.S. market in the reasonably foreseeable future given its ownership interest in U.S. ERW pipe producer CSI.[31]

Accordingly, as in the previous review, I continue to find that the Japanese industry has limited ability and incentive to increase shipments of subject merchandise to the United States significantly upon revocation. The industry's ability to increase shipments to the U.S. market in the reasonably foreseeable future is severely constrained by the likelihood that the industry's production will be fully committed to planned pipeline construction in non-U.S. markets. Consequently, I conclude that any increase in subject imports from Japan will not be significant either in absolute terms or relative to consumption or production in the United States.

[26] CR at IV-43, PR at IV-15.

[27] CR/PR at Table IV-16. The ratio of production of subject pipe to total production was *** percent in 2007, *** percent in 2008, *** percent in 2009, *** percent in 2010, *** percent in 2011, and *** percent in 2012.

[28] Japanese respondents' post-hearing brief, Answers to Commissioner Questions at 8-9.

[29] CR/PR at Table IV-24. During this period, the U.S. Midwest domestic, ex-mill price ranged between $*** and $*** per short ton, whereas the Japan export f.o.b. price ranged between $*** and $*** per short ton and the EU f.o.b. price ranged between $*** and $*** per short ton.

[30] CR/PR at Table IV-25. During this period, the U.S. ex-mill price ranged between $*** and $*** per short ton, whereas the Japan export f.o.b. price ranged between $*** and $*** per short ton and the EU f.o.b. price ranged between $*** and $*** per short ton.

[31] Questionnaire responses of JFE and Nippon.

B. Likely Price Effects

In the original investigations, the Commission found that cumulated subject imports from Japan and Mexico pervasively undersold the domestic like product, depressing domestic prices to a significant degree.[32] In the first review of the order on Japan, the Commission majority found that subject imports from Japan and the domestic like product were highly substitutable and that price was an important factor in purchasing decisions.[33] It also noted that Japanese producers had a demonstrated track record of underselling domestic producers to win sales, both during the period of review and during the original investigation. Given all of this, and given the incentives that Japanese producers had to ship to the U.S. market, the majority concluded that price depression and/or suppression would likely occur upon revocation, because U.S. producers would have to lower their prices to avoid losing bids on major projects.[34]

In this review, I note first that, although subject imports and the domestic like product are highly interchangeable, price appears to play at most a secondary role in purchasing decisions. In particular, other factors, particularly product quality, were ranked more highly as important purchase factors. While 22 of 24 purchasers considered price to be a very important factor in purchasing decisions, price was less frequently named as a very important factor than availability, quality meeting industry standards, product consistency, or delivery time.[35] Only three of 22 purchasers listed price as the most important factor in purchasing decisions.[36]

The Commission gathered product-specific price data on five products. Prices for all five products generally increased or fluctuated over the period of review.[37] Global prices have

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[32] USITC Pub. 3464 at 18.

[33] USITC Pub. 3953 at 27-29.

[34] In my dissenting opinion, I acknowledged the underselling during the review period but pointed out that such underselling did not have any noticeable price effects as domestic prices were markedly higher at the end of the period than at the beginning. In addition, given the industry's rising COGS/sales ratio during the period, there was no evidence of price suppression. Consequently, I concluded that any likely increase in subject imports from Japan would be too small to have likely price-suppressing or -depressing effects. USITC Pub. 3953 at 46-47.

[35] CR/PR at Table II-10.

[36] CR/PR at Table II-9.

[37] CR/PR at Tables V-3-V-12 and Figure V-3. For example, the price of product 1 ERW pipe increased irregularly from $*** per short ton in first quarter 2007 to $*** per short ton in first quarter 2013. Similarly, the price of product 2 ERW pipe rose irregularly from $*** per short ton in first quarter 2007 to $*** per short ton in first quarter 2013. The price of product 3 LSAW pipe increased overall from $*** per short ton in first quarter 2007 to $*** per short ton in first quarter 2013.

increased since the start of the period and for the most part have remained high.[38] I note that these *** increases in prices in the U.S. market corresponded with *** increases in the industry's costs.[39] Moreover, since the 2009 recession, given the fact that the ratio of the domestic industry's cost of goods sold to net sales declined from 97.3 percent in 2009 to 86.2 percent in 2012, I observe that during the current economic recovery the industry appears to have been able to increase prices well in excess of increases in its costs.[40] In addition, as I noted in the majority's discussion of conditions of competition, the existence of large amounts of excess capacity in the U.S. market will likely lead to intense price competition among CWLDLP suppliers. These competitive pressures would make it difficult for Japanese products to be sold profitably in the U.S. market, and therefore would act as a disincentive for Japanese producers to enter the market. Finally, it is significant that most domestic end users of CWLDLP predict that demand for CWLDLP both in the U.S. market and globally is expected to be strong in the reasonably foreseeable future.[41] This expected strong demand will continue to support relatively high prices both in the U.S. market and globally.

Because of the *** increase in U.S. prices, the expectation for continued strong demand, and my determination that the volume of subject imports from Japan is not likely to be significant I do not find that a modest volume of subject imports from Japan upon revocation is likely to have significant price depressing or suppressing effects on prices for the domestic like product, or to otherwise have significant negative effects on domestic prices.

C. Likely Impact

In the original investigations, the Commission determined that the domestic industry was materially injured by reason of cumulated subject imports from Japan and Mexico. It found that the domestic industry's condition deteriorated between 1999 and 2000 according to virtually every indicator, with modest improvements in the first half of 2001 attributable to the filing of the petition.[42] The Commission therefore found a significant adverse impact by reason of subject imports.[43]

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[38] CR/PR at Tables IV-24-IV-26.

[39] CR/PR at Table C-1. The domestic industry's cost of goods sold increased from $967 million in 2007 to $1.42 billion in 2012, a 46.9-percent increase.

[40] CR/PR at Table C-1.

[41] CR/PR at Table II-6. Of 21 purchasers responding to the question, 11 predicted that U.S. demand would increase, five predicted it would fluctuate, and five predicted it would remain unchanged. No U.S. purchaser predicated a declined in demand. Increasing global demand is predicted during 2013-15. CR at IV-45, PR at IV-19.

[42] USITC Pub. 3464 at 27-33. In the final results of its expedited sunset review of the antidumping duty order, the Department of Commerce determined that revocation of the order on CWLDLP from Japan would likely result in the continuation or recurrence of dumping at a weighted-average margin of

In the first review of the order on Japan, the Commission majority found that although the domestic industry was not vulnerable (due to a surge in CWLDLP demand late in the period of review, which resulted in generally improving financial performance), it had benefitted greatly from the antidumping order.[44] Thus, given the likely increased volume from Japan that would cause adverse price effects, the majority concluded that such imports would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.[45]

In contrast, the current record indicates an industry that may well be vulnerable, although largely due to domestic factors rather than subject imports. During the period of review, the industry's production capacity has increased by substantially more than its actual production, thus causing capacity utilization to decline.[46] There has been a noticeable buildup in inventories.[47] In particular, much of that inventory buildup may be due to the reality that the Keystone XL pipeline has not been built, yet all pipe needed to complete the project has been manufactured and is being stored.[48] In that regard, the industry may be vulnerable to any decision by the Obama Administration to decline to go ahead with the Keystone project, inasmuch as in that event the inventories would likely be sold into the market at relatively low prices.

Nonetheless, consistent with my findings that the likely volume and likely price effects of subject imports from Japan will not be significant, I find that subject imports would not be likely to have a significant adverse impact on the domestic industry's output, sales, market share, profits, or return on investment, if the order were revoked. In general, the industry has

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30.80 percent for Nippon, 30.80 percent for JFE, and 30.80 percent for all other Japanese producers. CR/PR at Table I-4.

[43] USITC Pub. 3464 at 30-31.

[44] USITC Pub. 3953 at 29-33.

[45] In dissent, I recognized that the industry's performance improved during the latter part of the period, but attributed it to rapidly increasing demand and not to the presence of the order. I concluded that, while some additional volume of subject imports from Japan was likely upon revocation, this volume would not be likely to have a significant adverse impact on the industry in light of a growing backlog of orders in the industry, coupled with forecasts of increasing demand. USITC Pub. 3953 at 47-49.

[46] CR/PR at Table III-5. The industry's capacity utilization was 43.3 percent in 2007, 51.7 percent in 2008, 20.8 percent in 2009, 35.8 percent in 2010, 35.9 percent in 2011, and 37.0 percent in 2012.

[47] CR/PR at Table III-15. Inventories declined from 2007 to 2008, then increased steadily from 54,816 short tons in 2008 to 344,249 short tons in 2012. The 2012 level was *** percent as a ratio to U.S. shipments.

[48] Tr. at 21 (Delie).

made an impressive recovery from the depths of the 2009 recession as, for example, it has recovered its profitability and has managed to increase prices ahead of cost increases.[49] Moreover, forecasts for future demand in the U.S. market are generally positive, and the industry should be able to continue to participate in increased shale gas development, at least at the lower end of the outer diameter production spectrum.[50] In light of these factors, the small volume of subject imports from Japan that would be likely upon revocation would not be likely to have a significant adverse impact on the domestic industry.

III. CONCLUSION

For the above-stated reasons, I determine that revocation of the antidumping duty order on CWLDLP from Japan would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

[49] CR/PR at Table C-1. The industry's operating income as a ratio to sales was negative 6.6 percent in the recession year of 2009, but moved into positive territory at 10.7 percent in 2010, before declining slightly to 6.9 percent in 2011 and 6.8 percent in 2012. Although the domestic industry's cost of goods sold increased from $967 million in 2007 to $1.42 billion in 2012, the unit value of domestic shipments increased by 9.2 percent over that same period, from $1,265 per short ton in 2007 to $1,382 per short ton in 2012. Moreover, the ratio of the domestic industry's cost of goods sold to net sales declined from 97.3 percent in 2009 to 86.2 percent in 2012

[50] CR/PR at Table II-6; tr. at 159 (Hickerson). I note also that the industry's shipments of ERW pipe with outer diameter less than 24 inches (which is apparently suitable for shale gas transport) increased steadily from *** short tons in 2009 to *** short tons in 2012. CR/PR at Table III-13.

PART I: INTRODUCTION

BACKGROUND

On October 1, 2012, the U.S. International Trade Commission ("Commission" or "USITC") gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"),[1] that it had instituted a review to determine whether revocation of the antidumping duty order on certain welded large diameter line pipe ("CWLDLP") from Japan would likely lead to the continuation or recurrence of material injury to a domestic industry.[2] [3] On January 4, 2013, the Commission determined that it would conduct a full review pursuant to section 751(c)(5) of the Act. [4] The following tabulation presents information relating to the background and schedule of this proceeding:[5]

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[1] 19 U.S.C. 1675(c).

[2] *Certain Welded Large Diameter Line Pipe from Japan; Institution of a Five-Year Review Concerning the Antidumping Duty Order on Certain Welded Large Diameter Line Pipe From Japan,*77 FR 59973, October 1, 2012. All interested parties were requested to respond to this notice by submitting the information requested by the Commission.

[3] In accordance with section 751(c) of the Act, the U.S. Department of Commerce ("Commerce") published a notice of initiation of five-year reviews of the subject antidumping and countervailing duty orders concurrently with the Commission's notice of institution. *Initiation of Five-Year (''Sunset'') Review*, 77 FR 59897, October 1, 2012.

[4] *Certain Welded Large Diameter Line Pipe From Japan; Notice of Commission Determination To Conduct a Full Five-Year Review*, 78 FR 3916, January 7, 2013. The Commission received individually adequate responses containing company specific information from (1) American Cast Iron Pipe Co. "American"), Berg Steel Pipe Corp. ("Berg"), Dura-Bond Pipe LLC ("Dura-Bond"), Stupp Corp. ("Stupp"), United States Steel Corp. ("U.S. Steel"), and Welspun Tubular USA LLC ("Welspun"), domestic producers of CWLDLP; and (2) JFE Steel Corp. ("JFE") and Nippon Steel & Sumitomo Metal Corp. ("NSSMC"), producers and exporters of the subject merchandise. In addition, the domestic interested parties included selected data for ***, a domestic producer of CWLDLP. Because the group responses from both domestic interested parties and respondent interested parties were adequate, the Commission determined to conduct a full review of the order on CWLDLP from Japan.

[5] The Commission's notice of institution, notice to conduct a full review, scheduling notice, and statement on adequacy appear in appendix A and may also be found at the Commission's web site (internet address *www.usitc.gov*). Commissioners' votes on whether to conduct an expedited or full review may also be found at the web site. Presented in appendix B is a listing of the witnesses that appeared at the Commission's hearing.

Effective date	Action
December 6, 2001	Commerce's antidumping duty order on line pipe from Japan (66 FR 63368)
November 5, 2007	Commerce's first continuation order on line pipe from Japan (72 FR 62435)
October 1, 2012	Commission's institution of second five-year review (77 FR 59973)
October 1, 2012	Commerce's initiation of second five-year review (77 FR 59897)
January 4, 2013	Commission's determination to conduct full five-year review (78 FR 3916, January 7, 2013)
February 13, 2013	Commerce's final result of expedited five-year review of the antidumping duty order (78 FR 10134)
February 19, 2013	Commission's scheduling of the review (78 FR 12784, February 25, 2013)
August 1, 2013	Commission's hearing
September 12, 2013	Commission's vote
September 26, 2013	Commission's determination and views

The original investigation

The original investigation resulted from a petition filed by Berg Steel Pipe Corp. ("Berg"), Panama City, Florida; American Steel Pipe Division of American Cast lron Pipe Co. ("American"), Birmingham, Alabama; and Stupp Corp. ("Stupp"), Baton Rouge, Louisiana, on January 10, 2001, alleging that an industry in the United States was materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of CWLDLP from Japan. Following notification of a final determination by Commerce that imports of CWLDLP from Japan were being sold at LTFV, the Commission determined on October 26, 2001 that a domestic industry was materially injured by reason of LTFV imports of CWLDLP from Japan.[6] Commerce published the antidumping duty order on subject imports of CWLDLP from Japan on December 6, 2001.[7]

The first five-year review

In October 2007, the Commission completed a full five-year review of the subject order and determined that revocation of the antidumping duty order on CWLDLP from Japan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[8] Following affirmative determinations in the first

[6] *Certain Welded Large Diameter Line Pipe From Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, p. 1.

[7] *Antidumping Duty Order: Welded Large Diameter Line Pipe From Japan*, 66 FR 63368, December 6, 2001.

[8] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, p. 1.

five-year review by Commerce and the Commission,[9] Commerce issued a continuation of the antidumping duty order on imports of CWLDLP from Japan, effective November 5, 2007.[10]

Subsequent proceedings

The original petition in connection with this current five-year review also included the allegation that an industry in the United States was materially injured and threatened with material injury by reason of LTFV imports of CWLDLP from Mexico. [11] Following notification of a final determination by Commerce that imports of CWLDLP from Mexico were being sold at LTFV, the Commission determined on February 19, 2002 that a domestic industry was materially injured by reason of LTFV imports of CWLDLP from Mexico.[12] Commerce published the antidumping duty order on CWLDLP from Mexico on February 27, 2002.[13]

In October 2007, the Commission completed a full five-year review of the antidumping duty order on CWLDLP from Mexico and determined that revocation of the order would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[14] Commerce revoked the antidumping duty order on imports of CWLDLP from Mexico, effective February 27, 2007.[15]

On November 21, 2007, U.S. Steel requested a binational panel review of the Commission's negative five-year review determination with respect to the antidumping duty order on CWLDLP from Mexico. On January 18, 2011, the Panel issued its decision, affirming in part and remanding in part the Commission's determination. The Panel remanded the determination so that the Commission could consider new information from Mexican producer Procarsa. Upon consideration of the remand order and evidence submitted into the record, the Commission majority determined upon remand that revocation of the antidumping duty order

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[9] *Certain Welded Large Diameter Line Pipe From Japan and Mexico: Determination*, 72 FR 59551, October 22, 2007; *Certain Welded Large Diameter Line Pipe from Japan and Mexico; Notice of Final Results of Five-year (''Sunset'') Reviews of Antidumping Duty Orders*, 72 FR 62435, November 5, 2007.

[10] *Continuation of Antidumping Duty Order on Certain Welded Large Diameter Line Pipe from Japan*, 72 FR 62435, November 5, 2007.

[11] *Certain Welded Large Diameter Line Pipe From Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, p. 1.

[12] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Investigation Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, p. I-2.

[13] *Antidumping Duty Order: Welded Large Diameter Line Pipe from Mexico*, 67 FR 8937, February 27, 2002.

[14] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, p. 1.

[15] *Revocation Pursuant to Five-year (''Sunset'') Review of Antidumping Duty Order: Certain Welded Large Diameter Line Pipe from Mexico*, 72 FR 62436, November 5, 2007.

covering CWLDLP from Mexico would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[16]

SUMMARY DATA

Table I-1 presents a summary of data from the original investigation. Table I-2 presents a summary of data from the full first five-year review. Table I-3 presents a summary of data from the current full five-year review.

[16] Commissioners Lane and Pinkert determined that revocation of the antidumping duty order covering CWLDLP from Mexico would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. *Certain Welded Large Diameter Line Pipe from Mexico, Investigation No. 731-TA-920 (Review) (Remand)*, USITC Publication 4227, April 2011, pp. 1-3 and 19.

Table I-1
CWLDLP: Summary data from the original investigation, 1998-2000

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year		
	1998	1999	2000
U.S. consumption quantity:			
Amount	***	***	***
U.S. producers' share	***	***	***
U.S. importers' share:			
Japan	***	***	***
Mexico	***	***	***
Subtotal	***	***	***
All other countries	***	***	***
Total imports	***	***	***
U.S. consumption value:			
Amount	***	***	***
U.S. producers' share	***	***	***
U.S. importers' share:			
Japan	***	***	***
Mexico	***	***	***
Subtotal	***	***	***
All other countries	***	***	***
Total imports	***	***	***
U.S. imports from--			
Japan:			
Quantity	217,138	141,955	173,062
Value	152,754	67,209	78,065
Unit value	703	473	451
Mexico:			
Quantity	24,553	31,570	27,627
Value	13,063	14,193	12,615
Unit value	532	450	457
Subtotal:			
Quantity	241,691	173,525	200,689
Value	165,817	81,402	90,680
Unit value	686	469	452
All other countries:			
Quantity	***	***	***
Value	***	***	***
Unit value	***	***	***
Total:			
Quantity	***	***	***
Value	***	***	***
Unit value	***	***	***

Table continued on following page.

Table I-1--*Continued*
CWLDLP: Summary data from the original investigation, 1998-2000

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year		
	1998	1999	2000
U.S. producers:			
Capacity quantity	2,371,246	2,333,217	2,317,620
Production quantity	1,209,835	901,760	320,425
Capacity utilization	51.0	38.6	13.8
U.S. shipments:			
Quantity	862,663	897,870	312,593
Value	568,660	575,557	176,889
Unit value	659	641	566
Ending inventory quantity	97,803	53,662	54,331
Inventory/total shipments	8.3	5.6	16.8
Production workers	1,318	979	520
Hours worked (*1,000*)	2,714	1,869	899
Wages paid (*value*)	50,495	37,709	17,047
Hourly wages	$18.60	$20.17	$18.96
Productivity (*short tons per 1,000 hours*)	445.7	482.4	356.5
Net sales:			
Quantity	1,143,435	967,880	323,850
Value	758,831	638,986	189,647
Unit value	664	660	586
Cost of goods sold	676,419	540,980	192,182
Gross profit or (loss)	82,412	98,006	(2,535)
SG&A	25,662	35,852	19,663
Operating income or (loss)	56,750	62,154	(22,198)
Cost of goods sold/sales	89.1	84.7	101.3
Operating income or (loss)/sales	7.5	9.7	(11.7)

Source: *Investigations Nos. 731-A-919-920 (Final): Certain Welded Large Diameter Line Pipe from Japan and Mexico-Staff Report,* INV-Y-214, October 17, 2001, table C-1.

Table I-2
CWLDLP: Summary data from the full first five-year review, 2001-06

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year					
	2001	2002	2003	2004	2005	2006
U.S. consumption quantity:						
Amount	***	***	***	***	***	***
U.S. producers' share	***	***	***	***	***	***
U.S. importers' share:						
Japan	***	***	***	***	***	***
Mexico	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. consumption value:						
Amount	***	***	***	***	***	***
U.S. producers' share	***	***	***	***	***	***
U.S. importers' share:						
Japan	***	***	***	***	***	***
Mexico	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. imports from--						
Japan:						
Quantity	29,795	3,986	3,376	7,594	25,232	13,198
Value	16,549	1,969	1,710	5,030	28,323	13,693
Unit value	555	494	507	662	1,123	1,038
Mexico:						
Quantity	13,265	6,245	8,302	159	35	125
Value	6,624	4,229	5,486	111	59	190
Unit value	499	677	661	696	1,692	1,518
All other sources:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Total:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***

Table continued on following page.

Table I-2--*Continued*
CWLDLP: Summary data from the full first five-year review, 2001-06

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year					
	2001	2002	2003	2004	2005	2006
U.S. producers:						
Capacity quantity	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***
Capacity utilization	***	***	***	***	***	***
U.S. shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventory/total shipments	***	***	***	***	***	***
Production workers	***	***	***	***	***	***
Hours worked (*1,000*)	***	***	***	***	***	***
Wages paid (*value*)	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***
Productivity (*short tons per 1,000 hours*)	***	***	***	***	***	***
Net sales:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Cost of goods sold	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***
SG&A	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***
Cost of goods sold/sales	***	***	***	***	***	***
Operating income or (loss)/sales	***	***	***	***	***	***

Source: *Investigation Nos. 731-TA-919 and 920 (Review): Certain Welded Large Diameter Line Pipe from Japan and Mexico- Final Staff Report*, INV-EE-129, September 14, 2007, table I-1.

Table I-3
CWLDLP: Summary data from the full second five-year review, 2007-12, January-March 2012, and January-March 2013

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
U.S. consumption quantity:								
Amount	2,575,655	2,798,201	1,532,985	1,763,724	1,504,156	1,588,332	484,758	357,193
U.S. producers' share	32.3	36.6	37.5	59.6	67.2	57.2	51.8	37.9
U.S. importers' share:								
Japan	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***
Total imports	67.7	63.4	62.5	40.4	32.8	42.8	48.2	62.1
U.S. consumption value:								
Amount	3,249,990	3,932,145	2,373,233	2,624,954	2,044,810	2,268,623	715,385	464,159
U.S. producers' share	32.4	38.2	38.4	61.2	70.9	55.3	49.3	37.2
U.S. importers' share:								
Japan	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***
Total imports	67.6	61.8	61.6	38.8	29.1	44.7	50.7	62.8
U.S. imports from:								
Japan:								
Quantity	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***
All other sources:								
Quantity	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***
Total:								
Quantity	1,743,090	1,774,983	958,438	711,823	492,690	680,039	233,488	221,754
Value	2,197,032	2,429,639	1,462,880	1,018,372	596,045	1,013,639	362,551	291,706
Unit value	1,260	1,369	1,526	1,431	1,210	1,491	1,553	1,315

Table continued on following page.

Table I-3--*Continued*
CWLDLP: Summary data from the full second five-year review, 2007-12, January-March 2012, and January-March 2013

(Quantity in short tons; value in 1,000 dollars; share and ratio in percent; unit value in dollars per short ton)

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
U.S. producers:								
Capacity quantity	2,009,374	2,089,813	2,981,639	3,060,619	3,156,264	3,286,271	812,785	887,158
Production quantity	869,953	1,081,380	620,885	1,096,689	1,132,088	1,215,399	256,660	308,437
Capacity utilization	43.3	51.7	20.8	35.8	35.9	37.0	31.6	34.8
U.S. shipments:								
Quantity	832,565	1,023,218	574,547	1,051,901	1,011,466	908,293	251,270	135,439
Value	1,052,958	1,502,506	910,353	1,606,582	1,448,765	1,254,984	352,834	172,453
Unit value	1,265	1,468	1,584	1,527	1,432	1,382	1,404	1,273
Export shipments:								
Quantity	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***
Ending inventory quantity	86,523	54,816	107,668	152,176	256,553	344,249	261,943	427,987
Inventory/total shipments	***	***	***	***	***	***	***	***
Production workers	1,044	1,701	1,504	1,575	1,389	1,668	1,407	1,361
Hours worked (*1,000*)	2,129	3,685	3,029	3,567	3,044	3,403	796	757
Wages paid (*value)*	60,488	113,421	76,606	85,540	67,305	87,156	20,645	18,142
Hourly wages	28.41	30.78	25.29	23.98	22.11	25.61	25.94	23.97
Productivity (*short tons per 1,000 hours*)	408.8	305.5	205.0	309.0	374.6	357.2	324.5	407.4
Net sales								
Quantity	878,107	1,123,111	518,022	953,011	1,028,235	1,182,305	251,271	224,684
Value	1,126,816	1,676,641	784,297	1,439,109	1,487,041	1,648,784	352,834	288,917
Unit value	1,283	1,493	1,514	1,510	1,446	1,395	1,404	1,286
Cost of goods sold	966,709	1,401,062	763,130	1,205,060	1,288,000	1,420,466	314,107	256,229
Gross profit or (loss)	160,107	275,579	21,167	234,049	199,041	228,318	38,727	32,688
SG&A	31,626	55,458	72,878	79,501	96,385	115,694	39,223	41,090
Operating income or (loss) (*value*)	128,481	220,121	(51,711)	154,548	102,656	112,624	(496)	(8,402)
Cost of goods sold/sales	85.8	83.6	97.3	83.7	86.6	86.2	89.0	88.7
Operating income or (loss)/sales	11.4	13.1	(6.6)	10.7	6.9	6.8	(0.1)	(2.9)

Source: Compiled from data submitted in response to Commission questionnaires and from official import statistics of the U.S. Department of Commerce for nonsubject countries, as adjusted for excluded line pipe.

PREVIOUS AND RELATED INVESTIGATIONS

Welded large diameter line pipe has been the subject of two Commission Title VII investigations. In addition to the original investigations that form the basis of the current review, in 1984, the Commission conducted antidumping duty investigation No. 731-TA-183 (Preliminary), *Large Diameter Carbon Steel Welded Pipes from Brazil*.[17] The Commission terminated the final investigation in that case after the petitioner (Berg Steel Pipe) withdrew its petition.[18]

In 2001, the Commission determined that certain carbon and alloy steel welded tubular products other than oil country tubular goods (including circular welded large diameter line pipe as defined in the current proceeding) was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing such articles, and recommended a tariff-rate quota decreasing from 20 percent to 11 percent over 4 years.[19] On March 5, 2002, President George W. Bush announced the implementation of steel safeguard measures. Import relief relating to welded large diameter line pipe consisted of an additional tariff for a period of three years and one day (15 percent ad valorem on imports in the first year, 12 percent in the second year, and 9 percent in the third year).[20] Following receipt of the Commission's mid-term monitoring report in September 2003, and after seeking information from the U.S. Secretary of Commerce and U.S. Secretary of Labor, President Bush determined that the effectiveness of the action taken had been impaired by changed circumstances. Therefore, he terminated the U.S. measure with respect to increased tariffs on December 4, 2003.[21]

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of

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[17] USITC Publication 1524, May 1984.

[18] *Large-Diameter Carbon Steel Welded Pipes From Brazil, Termination of Investigation*, 50 FR 10118, March 13, 1985.

[19] *Steel; Import Investigations*, 66 FR 67304, December 28, 2001.

[20] *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products*, 67 FR 10553, March 7, 2002. The President also instructed the Secretaries of Commerce and the Treasury to establish a system of import licensing to facilitate steel import monitoring.

[21] *Presidential Proclamation 7741 of December 4, 2003, To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483, December 8, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

the suspended investigation "would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury."

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury—

> *(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--*
>
> *(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*
>
> *(B) whether any improvement in the state of the industry is related to the order or the suspension agreement*
>
> *(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*
>
> *(D) in an antidumping proceeding . . ., (Commerce's findings) regarding duty absorption . . .*
>
> *(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--*
>
> *(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*
>
> *(B) existing inventories of the subject merchandise, or likely increases in inventories,*
>
> *(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and*
>
> *(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.*
>
> *(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether—*
>
> *(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and*

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to–

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, "the Commission may consider the magnitude of the margin of dumping."

Organization of report

Information obtained during the course of the review that relates to the statutory criteria is presented throughout this report. A summary of trade and financial data for CWLDLP as collected in the review is presented in appendix C. U.S. industry data are based on the questionnaire responses of 10 U.S. producers of CWLDLP that are believed to have accounted for all known domestic production of CWLDLP in 2012. U.S. import data and related information are based on Commerce's official import statistics and the questionnaire responses of eight U.S. importers of CWLDLP that are believed to have accounted for approximately 95 percent of total U.S. imports of CWLDLP from Japan during 2007-12 and 13 U.S. importers that are believed to have accounted for approximately one-half of total U.S. imports of CWLDLP from all nonsubject countries combined. Foreign industry data and related information are based on the questionnaire responses of two Japanese producers of CWLDLP, which accounted for all known production of CWLDLP in Japan during 2012. Responses by U.S. producers, importers, purchasers, and foreign producers of CWLDLP to a series of questions concerning the significance of the existing antidumping duty order and the likely effects of revocation of the order are presented in appendix D.

COMMERCE'S REVIEWS

Administrative reviews

Commerce has completed no administrative reviews of the subject order and has issued no duty absorption findings with respect to CWLDLP from Japan.

Changed circumstances reviews

Commerce completed two changed circumstances reviews on the antidumping duty order on subject imports from Japan. In the first changed circumstances review, U.S. importer BP America, Inc. requested that Commerce revoke in part the antidumping duty order with respect to imports meeting certain specifications. Having received no comments from domestic parties opposing the partial revocation of the order, Commerce made an affirmative determination that the order on imports from Japan be revoked with respect to imports meeting the following specifications and sizes: American Petroleum Institute ("API") grades X-80 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.90 inch or more; and, in API grades X-100 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.54 inch or more.[22]

In the second changed circumstances review, U.S. importer BP America, Inc. requested an exclusion and the domestic interested parties (American, Berg, and Stupp) consented to the request. Commerce made an affirmative determination, that large diameter line pipe with an API grade X-80 having an outside diameter of 21 inches and wall thickness of 0.625 inch or more be excluded from the order on Japan.[23]

Five-year reviews

Commerce has issued the final results of its expedited second five-year review with respect to Japan.[24] Table I-4 presents the dumping margins calculated by Commerce in its original investigation and first and second five-year reviews.

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[22] *Certain Welded Large Diameter Line Pipe from Japan: Final Results of Changed Circumstances Review*, 67 FR 64870, October 22, 2002.

[23] *Final Results of Changed Circumstances Review: Certain Welded Large Diameter Line Pipe from Japan*, 71 FR 62584, October 26, 2006.

[24] *Welded Large Diameter Line Pipe From Japan: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 78 FR 10134, February 13, 2013.

Table I-4
CWLDLP: Commerce's original and first and second five-year dumping margins for producers/exporters in Japan

Producer/exporter	Original margin (*percent*)	First five-year review margin (*percent*)	Second five-year review margin (*percent*)
Nippon Steel Corp.	30.80	30.80	30.80
Kawasaki Steel Corp.	30.80	30.80	30.80
All others	30.80	30.80	30.80

Source: *Notice of Final Determination of Sales at Less than Fair Value: Welded Large Diameter Line Pipe from Japan*, 66 FR 47172, September 11, 2001; *Certain Welded Large Diameter Line Pipe from Japan and Mexico: Notice of Final Results of Five-year ("Sunset") Reviews of Antidumping Duty Orders*, 72 FR 10498, March 8, 2007; and *Welded Large Diameter Line Pipe From Japan: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 78 FR 10134, February 13, 2013.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of this review as follows:

> The product covered by the antidumping duty order is certain welded carbon and alloy line pipe, of circular cross section and with an outside diameter greater than 16 inches, but less than 64 inches, in diameter, whether or not stenciled. This product is normally produced according to American Petroleum Institute ("API") specifications, including Grades A25, A, B, and X grades ranging from X42 to X80, but can also be produced to other specifications. Specifically not included within the scope of the order is American Water Works Association ("AWWA") specification water and sewage pipe and the following size/grade combinations of line pipe:
>
> - Having an outside diameter greater than or equal to 18 inches and less than or equal to 22 inches, with a wall thickness measuring 0.750 inch or greater, regardless of grade.
> - Having an outside diameter greater than or equal to 24 inches and less than 30 inches, with wall thickness measuring greater than 0.875 inches in grades A, B, and X42, with wall thickness measuring greater than 0.750 inches in grades X52 through X56, and with wall thickness measuring greater than 0.688 inches in grades X60 or greater.
> - Having an outside diameter greater than or equal to 30 inches and less than 36 inches, with wall thickness measuring greater than 1.250 inches in grades A, B, and X42, with wall thickness measuring greater than 1.000 inches in grades X52 through X56, and with wall thickness measuring greater than 0.875 inches in grades X60 or greater.
> - Having an outside diameter greater than or equal to 36 inches and less than 42 inches, with wall thickness measuring greater than 1.375 inches in grades A, B, and X42, with wall thickness measuring greater than 1.250

inches in grades X52 through X56, and with wall thickness measuring greater than 1.125 inches in grades X60 or greater.
- Having an outside diameter greater than or equal to 42 inches and less than 64 inches, with a wall thickness measuring greater than 1.500 inches in grades A, B, and X42, with wall thickness measuring greater than 1.375 inches in grades X52 through X56, and with wall thickness measuring greater than 1.250 inches in grades X60 or greater.
- Having an outside diameter equal to 48 inches, with a wall thickness measuring 1.0 inch or greater, in grades X80 or greater.
- In API grades X80 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.90 inch or more.
- In API grades X100 or above, having an outside diameter of 48 inches to and including 52 inches, and with a wall thickness of 0.54 inch or more.
- An API grade X80 having an outside diameter of 21 inches and wall thickness of 0.625 inch or more.

The product currently is classified under U.S. Harmonized Tariff Schedule ("HTSUS") item numbers 7305.11.10.30, 7305.11.10.60, 7305.11.50.00, 7305.12.10.30, 7305.12.10.60, 7305.12.50.00, 7305.19.10.30. 7305.19.10.60, and 7305.19.50.00. Although the HTSUS item numbers are provided for convenience and customs purposes, the written description of the scope is dispositive.[25]

As initiated, the scope of the original investigations did not exclude pipe 64 inches or greater in outside diameter or specific combinations of outside diameter, wall thickness, or grade.[26] These exclusions were incorporated over the course of the original investigations and in subsequent changed circumstances reviews.

Tariff treatment

Subject CWLDLP is currently covered by statistical reporting numbers 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, and 7305.19.5000 of the Harmonized Tariff Schedule of the United States ("HTS").[27] CWLDLP enters the United States free of duty under column 1-general.

[25] *Issues and Decision Memorandum for the Expedited Second Sunset Review of the Antidumping Duty Order on Welded Large Diameter Line Pipe from Japan*, January 31, 2013, pp. 3-4.

[26] *Notice of Initiation of Antidumping Duty Investigations: Welded Large Diameter Line Pipes From Mexico and Japan*, 66 FR 11266, February 23, 2001.

[27] The HTS numbers are provided for convenience and customs purposes. The written description of the merchandise covered by the order is dispositive.

THE PRODUCT

Description and applications

Line pipe is used for conveyance of gas, oil, or water, generally in a pipeline or utility distribution system. It is produced to specifications of the American Petroleum Institute ("API").[28] CWLDLP is line pipe with an outside diameter greater than 16 inches but less than 64 inches, excluding water pipe as specified by the American Water Works Association and certain size/grade combinations of line pipe. Very thick-walled line pipe used in Arctic or offshore deepwater environments, or to convey highly corrosive ("sour") gases, are among the size/grade combinations excluded from the antidumping duty order.[29] Critical application large diameter line pipe has certain characteristics such as:

- resistance to sour environments, which is accomplished by a secondary refining process in the production of the steel to increase the purity of the steel, making it more resistant to corrosion from sour gas;
- refined grain size of the steel plate used as the large diameter line pipe production input which affects low temperature toughness;
- line pipe that is API grade X70 or greater, a characteristic affecting the strength of the steel;
- high deformability; and
- high pressure-crushing properties.[30]

CWLDLP is produced by one of two major manufacturing methods. The first method, submerged arc welding ("SAW"), encompasses both helical (or spiral) welding ("HSAW") and longitudinal welding ("LSAW"). The second method is electric resistance welding ("ERW"). HSAW and ERW pipe are both made from steel coils whereas LSAW pipe is made from steel plates. Because of the helical wrap of the steel HSAW pipe size is not limited by the coil width and is generally used for larger diameter pipe projects in the United States. ERW is limited by the coil width and is accordingly suitable for thinner walled and smaller diameter pipes.[31] The manufacturing of HSAW and ERW is a continuous forming process versus the piece-by-piece production of LSAW. HSAW and ERW pipe generally are used in less demanding applications,

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[28] API specification 5L provides standards for "pipe suitable for use in conveying gas, water, and oil in both the oil and natural gas industries. The specification covers seamless and welded steel line pipe. Specifications for Line Pipe, API Specification 5L, 43rd edition, March 2004, p. 1. Seamless pipe, although covered by the 5L specification, is outside the scope of this review. Although line pipe can be used to convey water, line pipe certified to American Water Works Association specifications is likewise outside the scope of this review.

[29] Hearing transcript, p. 45 (Delie).

[30] Respondent interested parties' posthearing brief, "Answers to Commissioners' Questions," pp. 2-3.

[31] United States Steel*, The Making, Shaping and Treating of Steel*, 10th Edition, p. 1029.

while LSAW is preferred in more demanding applications. The HSAW method of pipe production has become more prevalent due to certain technological advances such as the ability to produce wider and thicker hot-rolled coils and improvements in welding technology.[32] Typically, LSAW is the more expensive form of CWLDLP. A summary of the differences among ERW, LSAW, and HSAW pipe produced in the United States is presented in the tabulation below.[33]

Manufacturing method	Maximum outside diameter (*inches*)	Maximum length (*feet*)	Cost	Maximum pipe wall thickness (*inches*)
ERW	24	80	Least expensive production method	0.63
LSAW	48	40	Most expensive production method	1.25
HSAW	64	80		1.03

Critical applications

Respondent interested parties assert that their production is focused on critical applications, that is, pipe for use in very harsh internal or external environments. As used by the Japanese producers, this term includes, but is not limited to, size and grade combinations outside the scope of Commerce's antidumping duty order. Also included by the respondent interested parties in these critical applications is in-scope line pipe with characteristics that make the pipe suitable for use in very harsh environments, i.e., special "steel toughness, deformability, and degree of sour service capability."[34] These characteristics are related to the chemistry of the raw steel input of the pipe and are not covered by the exclusion parameters. Respondent interested parties state that some in-scope product, such as ERW pipe *** cannot be made by U.S. producers.[35]

Domestic interested parties assert that the "ill-defined" term "critical application" is "not employed in standard industry references {and} specifications." According to the domestic interested parties, U.S. producers can produce "all types of in-scope" product.[36]

Manufacturing processes

The API 5L specification provides for a number of line pipe manufacturing processes and permits both ERW and SAW processes in all grades and classes of large diameter line pipe.[37] During the original investigations, domestic producers made CWLDLP using only one production

[32] Hearing transcript, p. 66 (Delie).

[33] Compiled from information presented in table III-2 except for cost information which was obtained from "The Spin on Spiral Weld," Metal Center News, February 2012 by Pinkham, Myra.

[34] Respondent interested parties' posthearing brief, "Answers to Commissioners' Questions," pp. 2-3.

[35] Ibid. It is not clear if the respondent interested parties believe that U.S. producers are unable to produce "critical application" pipe that is within the product scope.

[36] Posthearing brief of American Cast Iron Pipe Co., Berg Steel Pipe Corp., Dura-Bond Pipe LLC, Stupp Corp., and Welspun Tubular USA LLC, pp. 1, 8.

[37] *Specification for Line Pipe*, API Specification 5L, 43rd edition, March 2004, table 1, p. 34.

method, either the LSAW, or the ERW process. The situation was the same during the first review with the exception of Evraz which used the HSAW production method. Now several domestic producers use HSAW and either ERW or LSAW. Both Japanese producers use ERW and LSAW but neither producer uses HSAW to make CWLDLP.[38] Table III-2 presents available information relating to domestic producers' production capabilities.

All CWLDLP production includes forming, welding, and finishing operations but the details of these steps differ by production method as described below.

SAW Pipe

Forming stage

HSAW pipe is produced by a process of spiral welding in which coiled steel strip is loaded on the decoiler of the spiral pipe machine. The strip is straightened and edges are milled to the desired joint geometry. The strip is guided into a forming station, where it is formed to produce a cylindrical hollow body at a predetermined forming angle, ensuring a proper welding gap between the abutting edges. Inside, and later, outside welding is performed by an automatic submerged arc process. Pipe produced by the HSAW process has some advantages compared to pipe produced by the ERW and LSAW processes. ERW and LSAW pipe diameters are limited by the maximum width of the available coil or plate. By contrast, HSAW pipe diameter is determined by the forming angle during the formation of the cylindrical hollow body allowing a pipe's diameter to be much larger than the width of the coiled steel input. In addition, HSAW pipe can be produced in 80-foot lengths while LSAW pipe is limited to 40-foot lengths in most mills.[39]

LSAW pipe is produced from cut-to-length steel plate. Each individual plate proceeds through various steps including (a) shearing and edge planing to ensure that the plate is flat and aligned so that the two edges of the steel plate are parallel and square with the ends, (b) crimping or bending of the plate edges in order to avoid a flat surface along the seam of the pipe, and (c) bending the plate to the desired form.

The two primary methods of shaping line pipe in the LSAW process are the pyramid rolling and the U-O-E methods. The pyramid rolling machine consists of an elongated three-roll bending apparatus with the two bottom rolls fixed and the top roll movable along a vertical plane. The steel plate moves into position beneath the top roll and, through the proper combination of force and counterpressure, is shaped into a cylinder around the top roll. The edges of the pipe are formed by a continuous crimping machine, which prepares the edges for welding. When this is accomplished, the pipe is welded along the joint axis. Finally, the pipe is sized to ensure that it meets specifications on roundness and diameter at the ends. The sizing

[38] "Nippon Sumitomo does not produce API-certified HSAW . . . " Hearing transcript, p. 121 (Nakayama). "JFE Steel does not make API grade HSAW and thus are incapable of producing HSAW that is subject to the order." Hearing transcript p. 124 (Takeushi).

[39] Pinkham, Myra, "The Spin on Spiral Weld," Metal Center News, February 2012.

machine consists of a top and bottom roll shaped to the desired configuration of the pipe. Pressure is applied on the top roll to exert a force on the pipe as it passes between the rolls.

In the U-O-E method, the plate is crimped by bending the edges upward; it then enters the U-press, where a die bends it into a “U” shape. Next, the “U” enters the O-press, where the walls of the “U” are forced together, resulting in an “O” shaped pipe. The pipe is then welded along the joint axis. In order to round the pipe and to ensure proper yield strength (which may be reduced in the O-press), two methods of expansion can be used, mechanical or hydraulic. In the mechanical expander, the pipe is moved over a head mechanism with symmetrical segments that can exert force on the inside of the pipe, thereby causing it to expand. In the hydraulic expander, the pipe is closed at both ends, filled with water and then pressurized. Under high pressure, the pipe expands to fill outside dies of the desired size. The pipe is then tested and inspected.

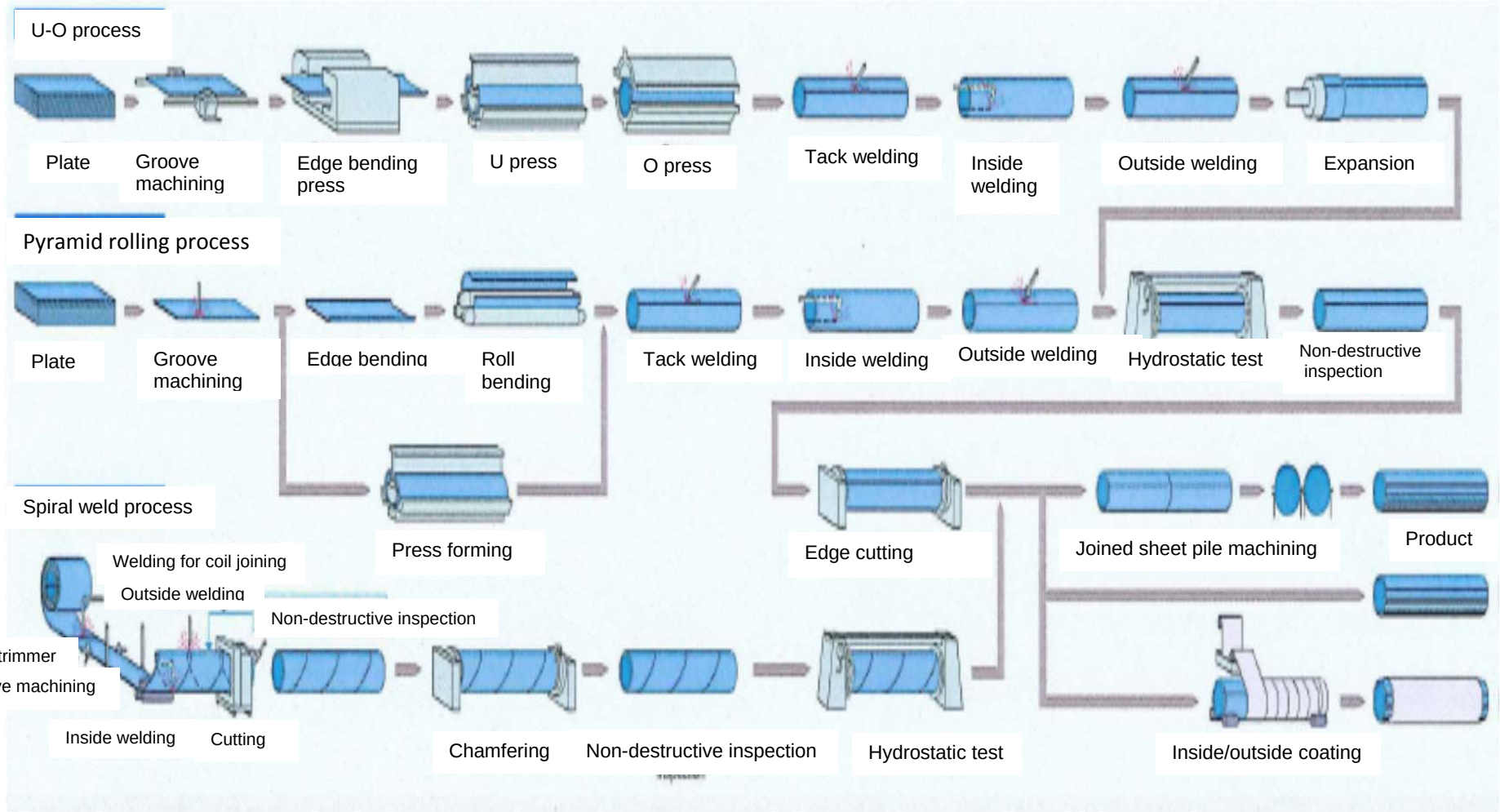
LSAW pipe is welded with the metal edges heated with an electric arc between the edges and a consumable electrode or electrodes which provide the filler metal. The weld is blanketed by a shield of granular, fusible flux to protect the hot weld from chemically reacting with the surrounding air. Pipes usually are welded on both the outside and the inside of the same seam.

Following the welding process, the scaly deposit left from the flux must be scraped away and the pipe cleaned. The weld is then inspected to correct any defects. Specific heat treatments can be performed to achieve the desired physical properties for the weld section.

Sizing or expanding, testing, and finishing stage

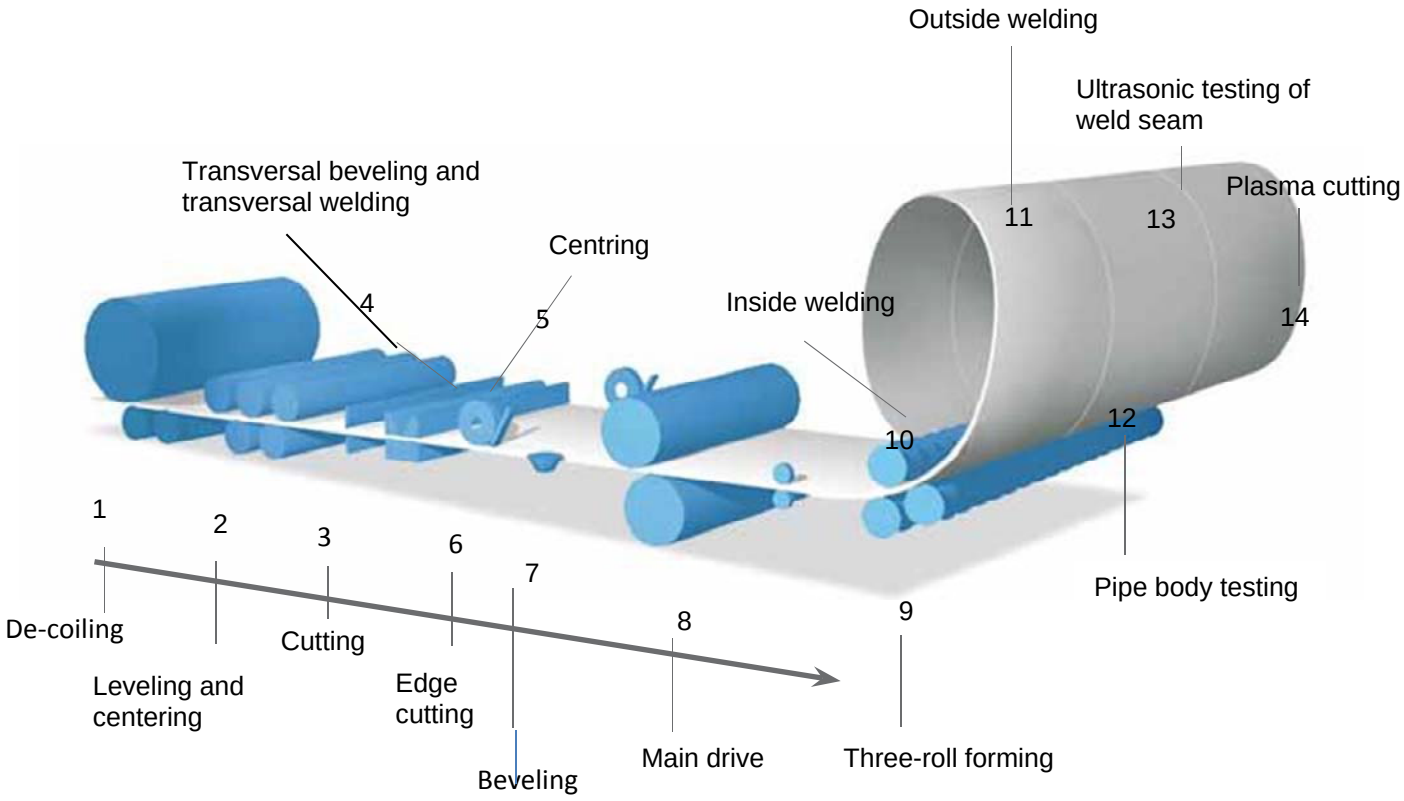
Subsequent to the welding stage, the final diameter for the pipe is obtained by means of a hydraulic press that forces the pipe shell against an outside retaining jacket. Alternatively, expansion can also be achieved mechanically by inserting a mandrel inside the pipe. Following this stage, the pipe may be subject to various tests including hydrostatic testing and X-ray examination of the weld in order to detect any defects and, if necessary, would undergo finishing of the pipe ends including beveling. Figures I-1 and I-2 illustrates the LSAW and HSAW manufacturing processes.

Figure I-1
CWLDLP: LSAW and HSAW manufacturing processes



Source: Nippon Steel & Sumitomo Metal Corp., *Pipes and Tubes of Nippon Steel & Sumitomo Metal*, pp. 26-27, found at http://www.nssmc.com/en/product/pipe/index.html/, retrieved on August 14, 2013.

Figure I-2
CWLDLP: HSAW manufacturing process

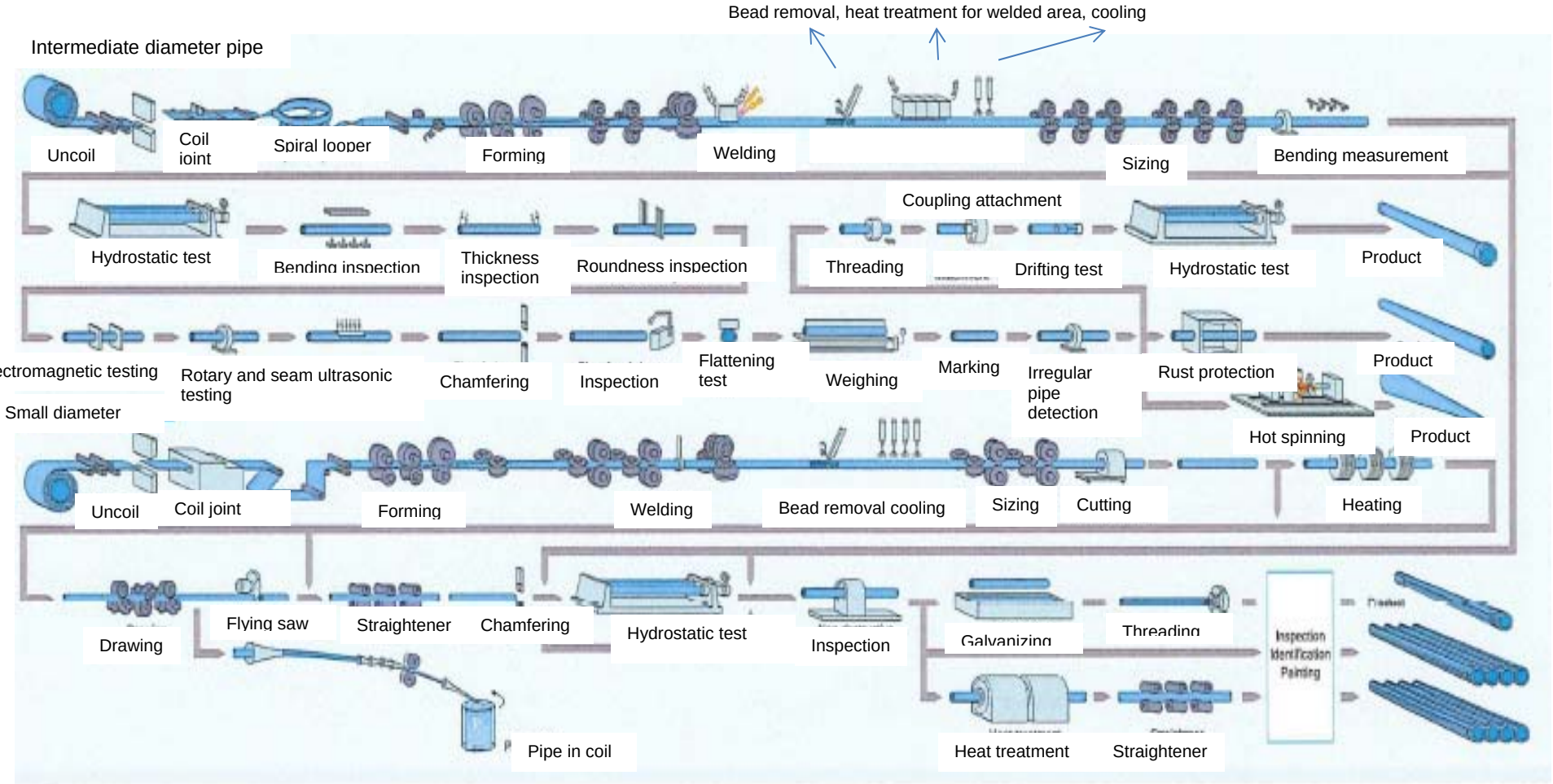


Source: ArcelorMittal, Projects Europe: *Spirally Welded Steel Pipe*, p. 7, found at: http://www.arcelormittal.com/spundwand/uploads/files/AMP_Spirally%20welded%20steel%20pipes%202010.pdf , retrieved August 14, 2013.

ERW Pipe

ERW pipe is formed from hot-rolled coil produced on a hot-strip mill. The forming stage of ERW pipe begins with a single-width strip, sometimes referred to as “skelp.” The width of the strip is equal to the perimeter of the pipe to be welded but the edges may be sheared to pre-specified widths. The lead end of each coil is squared for threading into the mill. The cold strip is continuously formed into a circular shape by shaped rolls. In the welding stage, the as-yet unwelded pipe is heated by electric resistance or electric induction to the desired temperature, then the formed edges are mechanically pressed together to form a seam. This welding process does not need a filler metal. Instead, the welding pressure causes some of the metal to be squeezed from the joint, forming a bead of metal on the inside and the outside of the tube. This bead, or welding flash, is usually trimmed from both the inside and the outside surfaces. The pipe is then cut to length and final testing and finishing are highly similar to those of the SAW production process. Figure I-3 illustrates the ERW manufacturing process.

Figure I-3
CWLDLP: ERW manufacturing process



Source: Nippon Steel & Sumitomo Metal Corp., *Pipes and Tubes of Nippon Steel & Sumitomo Metal,* pp. 22-23, found at http://www.nssmc.com/en/product/pipe/index.html/, retrieved on August 14, 2013.

DOMESTIC LIKE PRODUCT ISSUES

In its original determination and its full first five-year review, the Commission found a single domestic like product consisting of CWLDLP, coextensive with Commerce's scope, and a single domestic industry consisting of all domestic producers of CWLDLP.[40] In its original determinations, the Commission examined whether CWLDLP made by the ERW process and by the SAW process should be treated as separate domestic like products. The Commission concluded that both ERW and SAW line pipe were sold through similar channels of distribution, shared the same general physical characteristics, and were used primarily for the same general purpose, namely the transmission of oil and gas. The Commission found a moderate degree of interchangeability between ERW and SAW line pipe and noted that the two products were typically perceived as meeting overlapping needs in the transmission of oil and gas and in structural applications. The Commission also noted price differences between the two types of pipe, but noted that these differences narrowed toward the end of the period. Finally, although ERW and SAW line pipe were found not to share common manufacturing facilities, employees or methods in the United States during the original investigations, the Commission observed that similar distinctions also existed among various SAW manufacturing methods, thus blurring the significance of dividing lines with respect to this factor.

In the first five-year reviews, the Commission came to a similar conclusion that ERW and SAW line pipe, including both LSAW and HSAW, existed on a continuum of CWLDLP products with no clear dividing lines and defined the domestic like product as all CWLDLP, coextensive with the scope of the antidumping duty orders under review. The Commission noted in the first five-year reviews that the growing market acceptance and domestic production of HSAW line pipe at that time, which shared many attributes with ERW line pipe, lent additional support to its original finding of a single like product.[41]

In its notice of institution in this current five-year review, the Commission solicited comments from interested parties regarding the appropriate domestic like product and domestic industry.[42] The domestic producers indicated in their response to the notice of institution that they agree with the Commission's previous findings concerning a single domestic like product and domestic industry.[43] They also noted that there is nothing in the record of this current five-year review that suggests any reason to change the definition of the domestic like product and that the Commission should continue to find a single domestic like

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[40] *Certain Welded Large Diameter Line Pipe From Japan*, Inv. No. 731-TA-919 (Final), USITC Publication 3464 (November 2001), pp. 3-10; and *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Investigation Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, pp. 6-8.

[41] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Investigation Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, pp. 6-8.

[42] *Certain Welded Large Diameter Line Pipe from Japan; Institution of a Five-Year Review Concerning the Antidumping Duty Order on Certain Welded Large Diameter Line Pipe From Japan,*77 FR 59973, October 1, 2012.

[43] *Substantive Response of the Domestic Producers*, October 31, 2012, p. 15.

product coextensive with Commerce's scope.[44] No party requested that the Commission collect data concerning any alternative definition of the domestic like product in their comments on the Commission's draft questionnaires and no party raised an objection to the Commission's definitions of a single domestic like product consisting of CWLDLP coextensive with Commerce's scope.

U.S. MARKET PARTICIPANTS

U.S. producers

During the original investigations, seven firms, representing all known production of CWLDLP in the United States during 2000, provided the Commission with data on their line pipe operations.[45] During the full first five-year reviews, eight firms, representing all known production of CWLDLP in the United States in 2006, provided the Commission with at least partial information on their line pipe operations.[46] There were no related party issues in the original investigation or first five-year reviews.[47]

In these current proceedings, the Commission issued U.S. producers' questionnaires to 10 firms, all of which provided the Commission with information on their CWLDLP operations. These 10 firms are believed to account for all known U.S. production of CWLDLP in 2012.[48] Presented in table I-5 is a list of current domestic producers of CWLDLP and each company's position on the continuation of the order, production locations(s), related and/or affiliated firms, and share of reported production of CWLDLP in 2012.

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[44] Hearing transcript, pp. 42-43 (Schagrin); domestic producers' prehearing brief, pp. 3-4.

[45] The seven U.S. producers that supplied the Commission with usable questionnaire information during the original investigations were: American, Berg, Stupp, Bethlehem, Napa Pipes, SAW Pipes, and U.S. Steel. *Certain Welded Large Diameter Line Pipe from Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, table III-1.

[46] The eight U.S. producers that supplied the Commission with usable questionnaire information during the first five-year reviews were: American, Berg, Camp-Hill (toll processor for U.S. Steel), Dura-Bond Pipe, Evraz Oregon Steel Mills, SAW Pipes, Stupp, and U.S. Steel. *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review),* USITC Publication 3953, October 2007, table I-8.

[47] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review),* USITC Publication 3953, October 2007, p. 8.

[48] An additional U.S. producer (California Steel Industries, Inc. ("CSI"), Fontana, California) plans to begin ERW production of CWLDLP up to 24 inches in the second half of 2014. CSI, a 50/50 joint venture owned by Vale S.A. (Brazil) and CWLDLP producer JFE Steel Corp. (Japan), is expected to have an annual capacity to produce 400,000 short tons of CWLDLP, or equivalent to 12.2 percent of 2012 U.S. capacity. Hearing transcript, p. 125 (Takeuchi); JFE prehearing brief, p. 9; and http://www.californiasteel.com/?c=news&param1=2012.

Table I-5
CWLDLP: U.S. producers, positions on order, U.S. production locations, related and/or affiliated firms, and shares of 2012 reported U.S. production

Firm	Position on orders	U.S. production locations	Related and/or affiliated firms	Share of production (*percent*)
American	Support	Birmingham, AL	Parent firm: ***	***
Berg	Support	Panama City, FL Mobile, AL	Parent firm (related producer/exporter): ***	***
Dura-Bond	Support	Steelton, PA	Parent firm: ***	***
Evraz Oregon Steel Tubular	Support	Portland, OR	Parent firm (related producer/exporter): ***	***
JSW Steel	Support	Baytown, TX	Parent firm (related producer/exporter): ***	***
PSL North America	Support	Bay St. Louis, MS	Parent firm (related producer/exporter): ***	***
Stupp	Support	Baton Rouge, LA	Parent firm: ***	***
United Spiral Pipe	Support	Pittsburgh, CA	Parent firm (related producer/exporter): ***	***
U.S. Steel	Support	McKeesport, PA	Parent firm: *** Related producers: ***	***
Welspun	Support	Little Rock, AR	Parent firm (related producer/exporter): ***	***
Total				100.0

Source: Compiled from data submitted in response to Commission questionnaires.

As indicated in table I-5, seven out of ten U.S. producers have foreign affiliations with CWLDLP producers in other countries, none of which are related to the producers/exporters of the subject merchandise in Japan. Two U.S. producers reported direct imports of CWLDLP from nonsubject countries between January 2007 and March 2013 and two U.S. producers purchased imported product from nonsubject countries (i.e., ***). None of the domestic producers directly imported or purchased on the U.S. market subject CWLDLP produced in Japan. One U.S. producer purchased CWLDLP from another domestic producer.

In response to the Commission's question as to whether any U.S. producers jointly bid with a related foreign company on an order for the U.S. market for CWLDLP or whether any U.S. producers have outsourced or subcontracted to such related firms any portion of an order they received for the U.S. CWLDLP market, none of the domestic producers reported doing so.

U.S. importers

In the original investigation, 22 U.S. importing firms supplied the Commission with usable information on their operations involving the importation of CWLDLP, accounting for essentially all subject exports from Japan between January 2001 and June 2007.[49] In the first five-year reviews, the Commission received usable data from 21 importing firms.[50]

In the current proceeding, the Commission issued U.S. importers' questionnaires to 30 firms identified as possible importers of CWLDLP, as well as to all U.S. producers of CWLDLP. Usable questionnaire responses were received from 15 firms, 8 of which represented approximately 95 percent of total U.S. imports of CWLDLP from Japan during 2007-12 and 13 of which represented approximately one-half of total U.S. imports of CWLDLP from all nonsubject countries combined during 2007-12.[51] Four U.S. importers (***) indicated in their questionnaire responses that all of their imported welded line pipe from Japan is product that is specifically excluded by the scope. Four other U.S. importers (***) indicated in their questionnaire responses that they imported welded line pipe from Japan that is both included and specifically excluded by the scope. Table I-6 lists all responding U.S. importers of CWLDLP from Japan and other sources, their locations, and their shares of U.S. imports in 2012.

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[49] *Certain Welded Large Diameter Line Pipe from Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, p. IV-1.

[50] *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review),* USITC Publication 3953, October 2007, p. I-28.

[51] Coverage estimates were calculated based on the responding firms' aggregate share of total U.S. imports as compiled by applicable Commerce official import statistics (HTS statistical reporting numbers 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, and 7305.19.5000). Substantial U.S. importers from nonsubject sources that did not provide a response to the Commission's importer questionnaire as identified by proprietary Customs data are as follows: ***.

Table I-6
CWLDLP: U.S. importers, source(s) of imports, U.S. headquarters, and shares of reported imports in 2012

Firm	Headquarters	Source(s) of imports	Related/affiliated firm	Share of imports (percent)
BP America, Inc.	Houston, TX	***	***	***
Champions Pipe & Supply, Inc.	Houston, TX	***	***	***
Corpac Steel Products, Corp.	Aventura, FL	***	***	***
CPW America Co.	Houston,TX	***	***	***
Dril-Quip, Inc.	Houston, TX	***	***	***
Evraz Oregon Steel Tubular	Portland, OR	***	***	***
JFE Shoji Trade America Inc.	New York, NY	***	***	***
Kanematsu USA, Inc.	New York, NY	***	***	***
Marubeni-Itochu Tubulars America, Inc.	Houston, TX	***	***	***
MC Tubular Products, Inc.	Houston, TX	***	***	***
Prime Pipe International	Spring, TX	***	***	***
Salzgitter Mannesmann International	Houston, TX	***	***	***
Sumitomo Corp. of America	Houston, TX	***	***	***
Tata Steel International (Americas), Inc.	Schaumburg, IL	***	***	***
Welspun Corp., Ltd.	Mumbai, India	***	***	***
Total				100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. purchasers

In response to Commission purchaser questionnaires issued in this review, 24 purchasers supplied usable data, and 2 reported that they had not purchased CWLDLP during the period for which data were collected in this review. Twenty purchasers reported buying domestically produced CWLDLP during 2012. Additionally, six purchased imported CWLDLP from Japan, and 15 purchased product imported from other sources. Sixteen of 24 responding purchasers indicated that they are end users, seven are distributors, and one purchaser manages construction for end users.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of CWLDLP during 2007-12, January-March 2012, and January-March 2013 are shown in table I-7.

Table I-7
CWLDLP: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity (*short tons*)							
U.S. producers' shipments	832,565	1,023,218	574,547	1,051,901	1,011,466	908,293	251,270	135,439
U.S. imports from--								
Japan	***	***	***	***	***	***	***	***
Nonsubject countries	***	***	***	***	***	***	***	***
Total imports	1,743,090	1,774,983	958,438	711,823	492,690	680,039	233,488	221,754
Apparent U.S. consumption	2,575,655	2,798,201	1,532,985	1,763,724	1,504,156	1,588,332	484,758	357,193
	Value (*$1,000*)							
U.S. producers' shipments	1,052,958	1,502,506	910,353	1,606,582	1,448,765	1,254,984	352,834	172,453
U.S. imports from--								
Japan	***	***	***	***	***	***	***	***
Nonsubject countries	***	***	***	***	***	***	***	***
Total imports	2,197,032	2,429,639	1,462,880	1,018,372	596,045	1,013,639	362,551	291,706
Apparent U.S. consumption	3,249,990	3,932,145	2,373,233	2,624,954	2,044,810	2,268,623	715,385	464,159

Source: Compiled from data submitted in response to Commission questionnaires and from official import statistics of the U.S. Department of Commerce for nonsubject countries, as adjusted for excluded line pipe.

U.S. MARKET SHARES

U.S. market share data for 2007-12, January-March 2012, and January-March 2013 are presented in table I-8.

Table I-8
CWLDLP: U.S. consumption and market shares, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity (*short tons*)							
Apparent U.S. consumption	2,575,655	2,798,201	1,532,985	1,763,724	1,504,156	1,588,332	484,758	357,193
	Value (*$1,000*)							
Apparent U.S. consumption	3,249,990	3,932,145	2,373,233	2,624,954	2,044,810	2,268,623	715,385	464,159
	Share of quantity (*percent*)							
U.S. producers' shipments	32.3	36.6	37.5	59.6	67.2	57.2	51.8	37.9
U.S. imports from--								
Japan	***	***	***	***	***	***	***	***
Nonsubject countries	***	***	***	***	***	***	***	***
Total imports	67.7	63.4	62.5	40.4	32.8	42.8	48.2	62.1
	Share of value (*percent*)							
U.S. producers' shipments	32.4	38.2	38.4	61.2	70.9	55.3	49.3	37.2
U.S. imports from--								
Japan	***	***	***	***	***	***	***	***
Nonsubject countries	***	***	***	***	***	***	***	***
Total imports	67.6	61.8	61.6	38.8	29.1	44.7	50.7	62.8

Source: Compiled from data submitted in response to Commission questionnaires and from official import statistics of the U.S. Department of Commerce for nonsubject countries, as adjusted for excluded line pipe.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

In the original investigations, petitioners identified a maintenance and repair market and a project market. The maintenance and repair market typically is serviced via distributors, and generally experiences relatively stable demand. The project market typically involves sales directly to end users for new pipeline projects, and it experiences greater demand volatility.[1] Both maintenance and repair and project applications continue to comprise the overall CWLDLP market. Despite the past stability in the repair market, purchasers reported that repair volume decreased by about 50 percent between 2007 and 2012, with most of the decline occurring between 2007 and 2008.

CHANNELS OF DISTRIBUTION

As shown in table II-1, the majority of sales by U.S. producers of CWLDLP were made to end users, primarily oil and gas transmission companies. *** reported sales of CWLDLP imported from Japan were to distributors.

Table II-1
CWLDLP: U.S. producers' and importers' share of reported U.S. shipments, by sources and channels of distribution, 2007-12, January-March 2012, and January-March 2012

Item	Period							
	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Share of reported shipments (percent)							
U.S. producers' U.S. shipments of CWLDLP:								
Distributors	26.3	38.0	20.6	12.4	18.2	28.8	22.9	48.6
End users	73.7	62.0	79.4	87.6	81.8	71.2	77.1	51.4
U.S. importers' U.S. shipments of CWLDLP from Japan:								
Distributors	***	***	***	***	***	***	***	***
End users	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of CWLDLP from all other countries:								
Distributors	***	***	***	***	***	***	***	***
End users	***	***	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

[1] *Certain Welded Large Diameter Line Pipe from Japan*, *Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, p. II-1.

GEOGRAPHIC DISTRIBUTION

Eight of ten responding U.S. producers reported servicing the continental United States (table II-2). All responding importers reported selling to the Central Southwest region,[2] and three reported a market area encompassing the entire continental United States. Other geographic regions were reportedly served by fewer responding importers: six served the Mountain region, five served the Pacific Coast, four each served the Midwest and the Southeast, and three served the Northeast.

U.S. producers indicated that the bulk of their commercial shipments occurred within 101 to 1,000 miles of their production facilities. U.S. importers reported that vast majority of their sales are within 100 miles of the port or warehouses they use.

Table II-2

CWLDLP: Geographic market areas in the United States served by U.S. producers and importers, by number of responding firms

Region	Number of firms	
	U.S. producers	Importers
Northeast	9	3
Midwest	9	4
Southeast	8	4
Central Southwest	10	14
Mountain	10	6
Pacific Coast	9	5
Other[1]	4	4
All regions (except Other)	8	3
Reporting firms	10	14

[1] *All other U.S. markets, including AK, HI, PR, and VI, among others.*

Source: Compiled from data submitted in response to Commission questionnaires.

[2] *** responding importers of Japanese material reported selling *** to the Central Southwest region.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of CWLDLP have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced CWLDLP to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the availability of unused capacity, existence of alternate markets, and inventories, and the ability to produce alternate products.

Industry capacity

Domestic capacity utilization fluctuated between 2007 and 2012, declining overall from 43.3 percent in 2007 to 37.0 percent in 2012. U.S. producers' capacity utilization exceeded 50 percent in only one year – 2008. This relatively low level of capacity utilization suggests that U.S. producers may have substantial capacity to increase production of product in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a share of total shipments, increased sharply in 2012 and the first three months of 2013. U.S. producers' export shipments fluctuated between 2007 and 2011, but remained below *** percent of total shipments. In 2012, however, this share approached *** percent, and was nearly *** percent in January-March 2013. Two U.S. producers, ***, accounted for almost all of the export shipments. Therefore some U.S. producers may have an ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. producers' inventories fluctuated between 2007 and 2012, increasing overall from *** percent of total shipments in 2007 to *** percent of total shipments in 2012. Most of this increase was driven by an increase in inventories by U.S. producer ***. These inventory levels suggest that U.S. producers may have an ability to respond to changes in demand with changes in the quantity shipped from inventories, but that the ability differs by producer.

Production alternatives

Some responding U.S. producers stated that they could switch production from CWLDLP produced using ERW or HSAW technology to other products, but no producers indicated that they could switch production from CWLDLP produced using LSAW technology to other products. Other products that producers reportedly can produce on the same equipment as

CWLDLP are line pipe up to 16 inches in outside diameter, structural pipe, AWWA water pipe, and A252 structural piling. Therefore U.S. producers appear to have some ability to switch production from CWLDLP to other products.

Supply constraints

Three U.S. producers reported denying customers' orders, failing to meet customers' volume requirements, and delaying supplying customers' orders at some point since 2007, while no producers reported limiting volume under customers' orders. *** reported not taking some orders based on quantity, size, and expected delivery date. *** reported failing to meet customers' volume requirements and delaying supplying their customers' orders due to "product mix." *** indicated that any of its delayed orders were limited in time and scope and that it is believed that all of these cases were corrected in an acceptable manner.

Subject imports from Japan

Based on available information, producers of CWLDLP from Japan have the ability to respond to changes in demand with large changes in the quantity of shipments of CWLDLP to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the existence of alternate markets, inventories, and the ability to produce alternate products.

Industry capacity

The Japanese industry's capacity utilization fluctuated between 2007 and 2012, decreasing overall from *** percent in 2007 to *** percent in 2012. This level of capacity utilization suggests that Japanese producers have moderate capacity to increase production of product in response to an increase in prices.

Alternative markets

Most of Japanese producers' shipments are exported to markets other than the United States. Japanese producers' export shipments as a share of total shipments exceeded *** percent throughout January 2007–March 2013, increasing overall from *** percent in 2007 to *** percent in 2012 and reaching *** percent in January-March 2013. Also, Japanese producers' exports to United States were *** percent or less of their total shipment between January 2007 to March 2013. Therefore Japanese producers may have an ability to shift shipments to the U.S. market from other export markets in response to price changes.

Inventory levels

Japanese producers' inventories fluctuated between 2007 and 2012, decreasing overall from *** percent of total shipments in 2007 to *** percent of total shipments in 2012. These inventory levels suggest that Japanese producers may have an ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

One responding Japanese producer stated that it could switch production from CWLDLP produced using ERW or LSAW technology to other products. Other products that this Japanese producer *** reportedly can produce on the same equipment as CWLDLP are ***. Therefore Japanese producers have some ability to switch production from CWLDLP to other products.

Supply constraints

Only one importer of Japanese product reported denying customers' orders since 2007, and no importers reported limited volume under customers' orders, failing to meet customers' volume requirements, or delaying supplying customers' orders during that time frame.

Nonsubject imports

The quantity of CWLDLP imported from nonsubject countries declined by more than one-half between 2007 and 2012 based on Commerce statistics as adjusted. According to unadjusted Commerce statistics, the largest nonsubject suppliers of CWLDLP to the U.S. market in 2012 were Canada, Korea, United Kingdom, and Germany.

New suppliers

About one-half of responding purchasers indicated that new suppliers entered the U.S. market since 2007, and about one-half of responding purchasers expect additional entrants. Purchasers cited Boomerang Tube, Dura Bond Pipe, Hyundai, Husteel, Laguna, PSL North America, Pocarsa, Pytco, Tubacero Tuberia, United Spiral Pipe, SeAH, and Welspun as new suppliers.

U.S. demand

Based on available information, the overall demand for CWLDLP is likely to experience small changes in response to changes in price. The main contributing factors are the lack of practical substitute products and the way pipeline operators include the price of construction of the pipeline into the cost of the liquid that flows through it.

Since CWLDLP is used as an intermediate product, CWLDLP demand depends on the price and productivity of the end product for which it is used. Since most CWLDLP is used in the transmission of oil and gas, including liquefied natural gas (LNG), demand for CWLDLP has historically been sensitive to changes in oil and gas prices.

Since 2007, demand for CWLDLP has shifted to some degree from large scale onshore pipeline projects to more localized projects for shale deposits. U.S. producers characterize this as a decrease in demand for CWLDLP, while Japanese producers characterize this as growth in demand for ERW CWLDLP that is less than 24 inches in diameter on which U.S. producers focus

their shipments.[3] U.S. producers indicate that demand has decreased for 16 to 24 inch ERW CWLDLP. They attribute this decline to the large amount of natural gas coming from shale fields, pushing the price of natural gas and the number of natural gas rigs down, as well as a shift toward transportation of oil by railcar.[4]

Spot prices for oil and natural gas fluctuated between 2007 and the first half of 2013, with the price of oil increasing overall and the price of natural gas decreasing. These prices increased during 2007 and the first half of 2008 and then fell sharply during the second half of 2008 (figure II-1). The West Texas Intermediate (WTI) spot price for oil fluctuated between 2009 and early 2013, more than doubling during that period. The Henry Hub spot price of natural gas, in contrast, continued to fall in early 2009 and then fluctuated between that time and early 2013. The Short-Term Energy Outlook (STEO) price forecast and New York Mercantile Exchange (NYMEX) futures price indicate that the price of natural gas should increase by about 10 percent between the middle of 2013 to the end of 2014, while the price of oil should fall by about 5 percent. However, the confidence limits of the NYMEX futures price for both oil and natural gas suggest a substantial degree of uncertainty in future changes in these prices.

Crude petroleum and natural gas production increased steadily by 28 and 25 percent respectively between 2007 and 2012 (see table II-3). The number of rotary rigs used for natural gas fell by over 60 percent between 2007 and 2012 and fell even further during the first half of 2013 (see table II-4). The number of oil rigs more than tripled between 2007 and 2012, increasing the total number of rotary rigs by about 9 percent.

An estimate of the number of miles of natural gas pipeline that may be greater than 16 inches in diameter doubled between 2007 and 2008, remained at about the same level in 2009, and then fell sharply through 2012 (see table II-5). The annual amount of this pipeline planned for 2013 through 2016 appears to be less than one-fourth of the annual amount completed in 2008 and 2009. The pipelines planned for 2013 through 2016 come from more than 40 projects, the largest of which are the NEXUS gas transmission project (250 announced miles) and the Renaissance gas transmission project (230 announced miles).[5] Approximately 880 thousand short tons of CWLDP for the pending Keystone XL project has already been purchased by TransCanada, but may be resold on the market if the project is not approved.[6]

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[3] Domestic producers' prehearing brief, pp. 4-8. Japanese producers' prehearing brief, pp. 5-6.

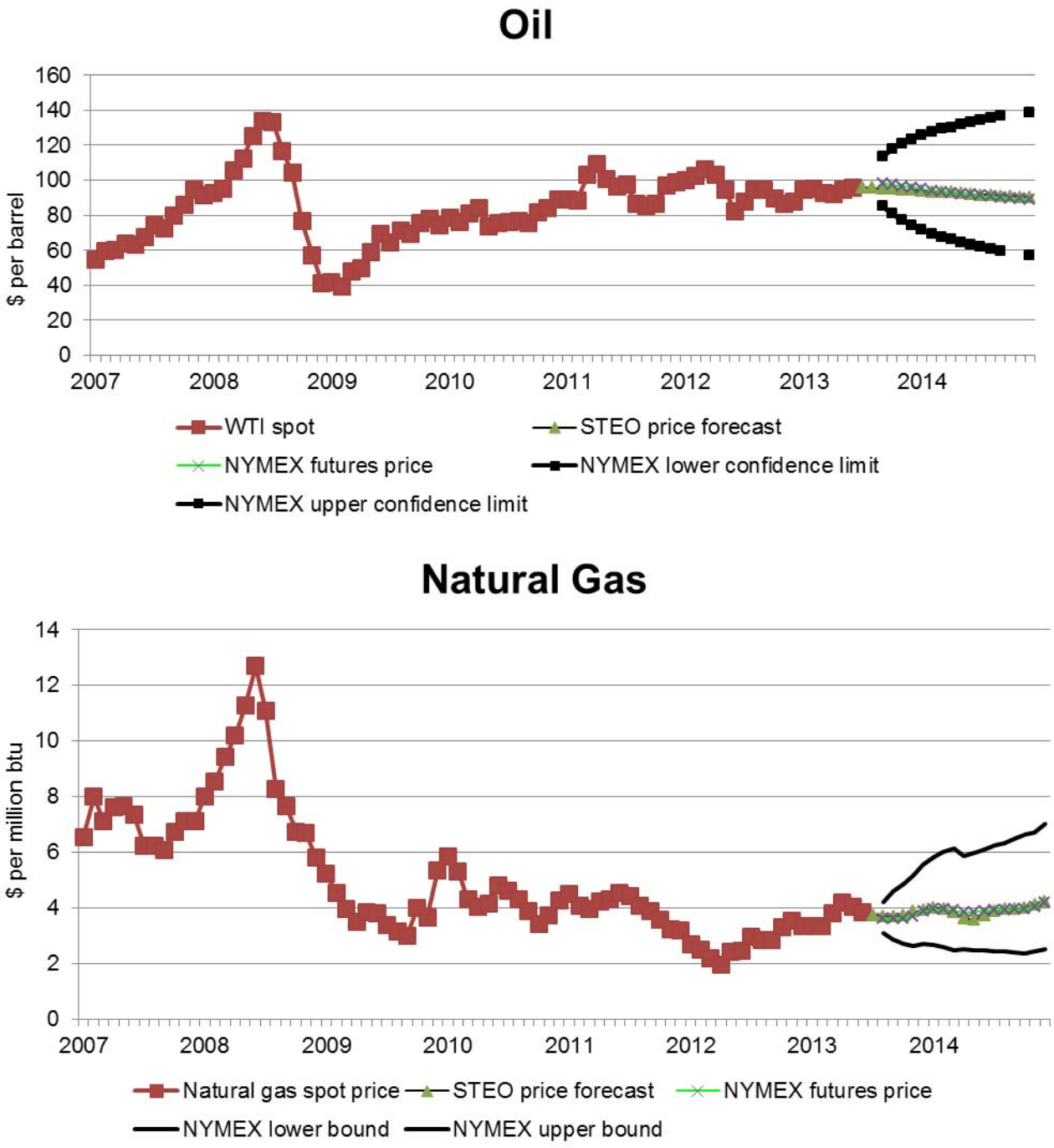
[4] Hearing transcript, pp. 81-85 (Nolan, Schagrin, and Scram).

[5] From information compiled by the U.S. Dept. of Energy, Energy Information Administration from the Federal Energy Regulatory Commission (FERC), trade press, company websites, SNL Financial, and BENTEK Energy LLC (Bentek).

[6] Hearing transcript, pp. 50-54 (Delie, Schagrin, and Scram). ***. Domestic producers' posthearing brief, p. A-7.

Figure II-1

Oil and natural gas: Short term actual and predicted monthly West Texas crude oil prices and Henry Hub spot prices of natural gas, monthly, January 2007-December 2014



Source: U.S. EIA, http://www.eia.gov/forecasts/steo/report/global_oil.cfm, http://www.eia.gov/forecasts/steo/report/natgas.cfm, retrieved, July 12, 2013.

Table II-3

Oil and natural gas: Production, 2007-12

Item	2007	2008	2009	2010	2011	2012
Crude petroleum (1,000 barrels of oil)	1,853,086	1,830,136	1,953,800	1,999,731	2,062,934	2,377,434
Natural gas (million cubic feet)	20,196,346	21,112,053	21,647,936	22,381,873	24,036,352	25,319,457

Note.—Natural gas is measured as marketed production. Marketed production is gross withdrawals less gas used for repressuring, quantities vented and flared, and nonhydrocarbon gases removed in treating or processing operations. This includes all quantities of gas used in field and processing plant operations.

Source: Official statistics of the U.S. Dept. of Energy, Energy Information Administration.

Table II-4

Rotary rig count: Average of weekly rig counts, 2007-12 and January-June 2013

Item	2007	2008	2009	2010	2011	2012	Jan-June 2013
Oil	297	379	278	591	984	1,359	1,363
Natural gas	1,466	1,491	801	943	887	556	391
Total	1,768	1,879	1,090	1,546	1,879	1,919	1,760

Note.—Because some rigs are used for miscellaneous purposes, the total rig count is greater than sum of oil and natural gas rig.

Source: Baker Hughes Incorporated: http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-reportsother.

Table II-5

Natural gas: Number of miles of pipeline reported by the Department of Energy projects for projects completed or planned to be completed, 2007-16

Status	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Completed	1,626	3,392	3,398	1,030	2,344	397	10	0	0	0
Planned[1]	0	0	0	0	0	0	466	801	254	749

[1] Includes pipeline for projects that are publically announced; applied, approved, filed, or pre-filed with the Federal Energy Regulatory Commission (FERC), or under construction.

Note.-- This data contains an aggregation of natural gas pipeline and expansion projects slated to commence operations in coming years. The data are not collected on an EIA survey. This information was compiled from trade press, SNL, FERC, Bentek, and other industry sources on planned pipeline construction. The amount of capacity additions that come online may be significantly different than reflected in accompanying data. These data are not a forecast. Generally, only transmission lines are included in this file; gathering lines, distribution lines, and LNG marine terminals are excluded. Includes all projects reported by the EIA, except those which exclusively used pipe diameters of 16 inches or less and conversions. Projects which did not specify the diameter of pipe used were included. Not all projects have been approved and not all projects had mileage estimates. Several projects that reported using pipe 16 inches or less in diameter as well as pipe greater than 16 inches were included. Some projects may include pipeline located in Canada or Mexico as well as the United States.

Source: Compiled by the U.S. Dept. of Energy, Energy Information Administration from the Federal Energy Regulatory Commission (FERC), trade press, company websites, SNL Financial, and BENTEK Energy LLC (Bentek).

End uses

According to the majority of responding U.S. producers and importers, the CWLDLP that they sell in the U.S. market is used in oil and gas transmission lines, with one producer also indicating transmission of slurry or water as other possible end uses. Almost all firms reported no changes in end uses.

Business cycles

About one-half of U.S. producers, importers, and purchasers indicated that the market was subject to business cycles or conditions of competition distinctive to CWLDP. Most firms indicated that the distinctive business cycle or conditions of competition were the oil and gas market and some indicated the general economy. Almost all of these firms indicated that these business cycles or conditions of competition have changed since 2007. Firms cited a variety of changes including excess capacity driving prices lower, the recession reducing demand for CWLDP, and increased demand for natural gas due to increased use of fracking.

Demand trends

Almost all U.S. producers reported that U.S. demand for CWLDLP has either decreased or fluctuated since 2007, while most purchasers indicated that demand fluctuated (table II-6). Most purchasers and Japanese producers expect demand to increase over the next two years, while most U.S. producers and importers expect future demand to fluctuate. Most purchasers indicated that demand for their final products produced from CWLDLP did not decrease since 2007.

The quantity of apparent U.S. consumption of CWLDLP decreased sharply between 2007 and 2012, with a smaller decline in value during the same period. Virtually all of the decline occurred between 2008 and 2009, with apparent U.S. consumption levels fluctuating thereafter. Given the inelastic demand for CWLDLP, the decline in value was large enough to suggest that at least some of the decrease in apparent consumption was due to decreased demand instead of changes in supply.

In the first review, a few producers and importers noted the increased acceptance of HSAW and increased usage of X-80 material in the CWLDLP market since 2000. Table II-7 shows 2012 purchases were concentrated in X-60 to X-70 range.

Substitute products

Most U.S. producers, importers, and purchasers report no practical substitutes for CWLDLP. Although several firms cited seamless pipe as a potential substitute, seamless pipe is not considered an economically viable substitute because of its significantly higher costs. Other firms also cited structural steel, polyethylene pipe, and cement piles. Only one importer and two purchasers reported a change in substitutes since 2007, and only one purchaser expected a change in the future.

Table II-6

CWLDLP: Firms' perceptions regarding U.S. demand, by number of responding firms

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand since 2007				
U.S. producers	1	0	4	5
Importers	5	1	3	4
Purchasers	4	3	1	13
Foreign producers	1	0	0	1
Anticipated future demand				
U.S. producers	0	2	1	6
Importers	5	0	0	7
Purchasers	11	5	0	5
Foreign producers	2	0	0	0
Demand for purchasers' final products since 2007				
U.S. purchasers	4	3	1	7

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-7

CWLDLP: Purchasers' average reported percentages of grade of product ordered, 2012-13

Period	Grades B and below	X-40 - X-49	X-50 - X-59	X-60 - X-69	X-70 - X-79	X-80 - X-99	X-100 & above
2012							
Average percent reported	12.2	11.9	18.8	34.6	22.3	0.3	0.0
Weighted average share of purchases	2.2	3.3	16.7	45.7	31.7	0.3	0.0
2013 (projected)							
Average percent reported	7.2	12.5	21.2	34.0	23.3	1.8	0.0

Source: Compiled from data submitted in response to Commission questionnaires.

Cost share

CWLDLP accounts for a varying share of the cost of the end-use products in which it is used. All but one purchaser and two producers reported that the cost share was 5 to 35 percent for natural gas and "liquids" transmission/pipelines.[7]

[7] The other purchaser reported that the cost of CWLDLP was 80 percent of the cost of pipelines. All responding importers' and three of five responding producers' responses were close to 80 percent of the cost of natural gas, oil, liquids pipelines/transmission. These firms apparently looked at a different set of costs.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported CWLDLP depends upon such factors as relative prices, quality (*e.g.*, grade standards, reliability of supply, defect rates, *et cetera*), and conditions of sale (*e.g.*, price discounts/rebates, lead times between order and delivery dates, payment terms, product services, *et cetera*). Based on available data, staff believes that there is high degree of substitutability between domestically produced CWLDLP and CWLDLP imported from Japan.

Knowledge of country sources

Twenty-two purchasers indicated they had marketing/pricing knowledge of domestic product, seven of Japanese product, and 14 of nonsubject countries. As shown in table II-8, more purchasers tend to make purchasing decisions based on producer or country of origin than do their customers.

Table II-8
Purchasing decisions based on producer and country of origin

Purchaser / customer decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	10	6	4	4
Purchaser's customers make decision based on producer	2	2	5	5
Purchaser makes decision based on country	5	7	8	4
Purchaser's customers make decision based on country	0	5	4	5

Source: Compiled from data submitted in response to Commission questionnaires.

Factors affecting purchasing decisions

Available information indicates that purchasers consider a variety of factors when purchasing CWLDLP. While price and quality were cited most frequently as being important factors in their purchase decisions, other factors such as availability, product consistency, and reliability of supply were are also cited as important considerations.

Although only three of 24 responding purchasers indicated that price was the most important factor in considering a purchase, all but two purchasers indicated that price was one of the three most important purchasing factors (see table II-9). All but two responding purchasers indicated that price is a very important factor in purchasing CWLDLP (see table II-10). Almost all responding purchasers indicated that they either "sometimes" or "usually" purchase the lowest price CWLDLP.

Table II-9
CWLDLP: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by number of reporting firms

Factor	First	Second	Third	Total
Availability	4	9	2	15
Credit	0	0	1	1
Customer acceptance	0	0	1	1
Delivery	2	4	3	8
Meets specifications	2	0	0	2
Price[1]	3	7	12	22
Product range	0	1	0	1
Quality[1]	13	2	1	16
Reliability of shipments	0	0	1	1
Terms of contract	0	0	1	1

[1] This does not include one purchaser (***) who reported that quality and price were "tied" for the second and third most important factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-10
CWLDLP: Importance of purchase factors, as reported by U.S. purchasers, by number of responding firms

Factor	Number of firms responding		
	Very important	Somewhat important	Not important
Availability	23	1	0
Delivery terms	12	9	1
Delivery time	23	1	0
Discounts offered	9	10	4
Extension of credit	5	8	10
Minimum quantity requirements	7	10	6
Packaging	8	8	7
Price	22	2	0
Product consistency	23	0	0
Quality meets industry standards	23	0	0
Quality exceeds industry standards	18	5	0
Product range	5	16	2
Reliability of supply	21	2	0
Technical support/service	15	8	0
U.S. transportation costs	9	13	1

Source: Compiled from data submitted in response to Commission questionnaires.

Thirteen of 24 responding purchasers indicated that quality was the most important factor in their purchases and 16 purchasers indicated it was one of their top three factors in making a purchase. All responding purchasers indicated that quality meeting industry standards was a very important factor and 18 of 23 responding purchasers indicated that quality exceeding industry standards was a very important factor. U.S. purchasers identified various principal factors they considered in determining the quality of CWLDLP. Reported factors included rust, wall thickness, roundness, sun damage, proper stenciling, end bevel finish, surface finish, lacquer quality, and packaging. Most responding purchasers reported that they require suppliers of CWLDLP to become certified or pre-qualified for all of their purchases. These purchasers reported a variety of processes for certification including hiring inspectors to watch the entire production process, third party review facilities, and API certification. Purchasers reported that certification can take from 3 days to as long as 360 days, although most purchasers indicated that it takes from 28 to 90 days for certification. Only a few responding purchasers reported that any domestic or foreign suppliers had failed to obtain certification. Firms named include ***.[8]

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2007 (table II-11); changes in demand was typically cited as the reason for changes in sourcing. Approximately one-third of responding purchasers reported that they had changed suppliers since 2007. Suppliers were changed due to reasons such as performance, another supplier adding a particular outer diameter size range, poor supply performance, meeting delivery dates, quality issues, and improper process controls.

Table II-11
CWLDLP: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	3	2	5	7	7
Japan	11	3	0	5	3
Other	2	2	5	5	7

Source: Compiled from data submitted in response to Commission questionnaires.

Importance of purchasing domestic product

Nine of 23 purchasers reported that purchasing U.S.-produced product was not an important factor in their purchasing decisions. Seven reported that domestic product was required by law (for up to 70 percent of their purchases), seven reported it was required by their customers (for 3 to 100 percent of their purchases), and six reported other preferences for domestic product. Reasons cited for preferring domestic product included shorter lead and

[8] The purchasers that reported that *** failed certification reported the problem has been fixed and is now an approved supplier.

inspection times, liability issues, more timely repair and replacement, and cost effectiveness of developing relationships with domestic suppliers and monitoring their quality. Neither U.S. nor Japanese producers believe that Buy America provisions affect the U.S. market for CWLDLP.[9]

Comparisons of domestic products, subject imports, and nonsubject imports

All responding U.S. producers and more than half of purchasers reported that U.S.-produced CWLDLP and product imported from all sources are "always" interchangeable, while responses from importers were mixed (table II-12). Two importers (***) and one purchaser *** indicated that U.S.-produced product cannot meet the technical standards of some applications such as deep water or sour service. One importer indicated that Japanese producers can produce CWLDP with better dimensional tolerances.

Table II-12
CWLDLP: Perceived interchangeability between CWLDLP produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. Japan	7	0	0	0	3	5	5	0	12	5	2	0
Nonsubject countries comparisons:												
U.S. vs. nonsubject	7	0	0	0	2	6	3	0	10	6	3	0
Japan vs. nonsubject	7	0	0	0	2	5	3	0	11	3	1	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

When comparing U.S. product to product imported from Japan and other countries, at least one-half of responding purchasers reported that U.S. product was "comparable" to product imported from Japan and nonsubject countries for all characteristics except for delivery time (table II-13). A majority of purchasers rated U.S. product as "superior" to subject product in terms of delivery time. When comparing product imported from Japan and other nonsubject countries, a majority of purchaser responses typically indicated that all country comparisons were "comparable".

[9] Hearing transcript, p. 111 (Schagrin), pp. 154-55 (Hickerson).

Table II-13

CWLDLP: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. Japan			U.S. vs. Nonsubject Countries			Japan vs. Nonsubject Countries		
	S	C	I	S	C	I	S	C	I
Availability	9	10	0	9	11	2	1	15	0
Delivery terms	6	13	0	8	14	0	0	16	0
Delivery time	14	5	0	15	6	1	0	12	4
Discounts offered	3	14	0	4	16	1	0	15	0
Extension of credit	2	15	1	4	17	0	0	15	0
Minimum quantity requirements	3	14	1	5	16	0	0	15	0
Packaging	2	17	0	4	17	1	0	16	0
Price[1]	2	13	4	5	12	5	1	13	2
Product consistency	0	16	3	3	18	1	5	11	0
Quality meets industry standards	1	18	0	4	18	0	5	11	0
Quality exceeds industry standards	1	15	3	3	18	1	5	11	0
Product range	1	17	1	2	20	0	5	11	0
Reliability of supply	6	13	0	6	15	1	4	11	1
Technical support/service	6	13	0	6	15	1	4	12	0
U.S. transportation costs[1]	8	10	0	9	12	0	2	12	1

[1] A rating of superior means that price/U.S. transportation costs is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

Source: Compiled from data submitted in response to Commission questionnaires.

All but two responding U.S. producers reported that differences other than price were "never" important for any subject country comparison and at least one-half of responding importers and purchasers reported that differences other than price were "sometimes" important (table II-14). One purchaser indicated that even if imported CWLDLP is interchangeable, the requirements for documenting product quality can present problems for some foreign producers. Several purchasers noted that availability, the transportation network, and technical service can be important factors.

As can be seen from table II-15, a majority of responding purchasers reported that CWLDLP produced from all sources "always" met minimum quality specifications and all but one purchaser reported that products produced from any source at least "usually" met minimum quality specification.

Table II-14

CWLDLP: Significance of differences other than price between CWLDLP produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. Japan	1	0	1	7	1	1	6	3	7	1	10	1
Nonsubject countries comparisons:												
U.S. vs. nonsubject	1	0	1	7	0	1	7	2	5	1	13	0
Japan vs. nonsubject	1	0	1	7	1	2	4	1	4	2	8	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-15

CWLDLP: Ability to meet minimum quality specifications, by source and number of reporting firms[1]

Source	Number of firms reporting[1]			
	Always	Usually	Sometimes	Rarely or never
United States	13	8	1	0
Japan	10	5	0	0
Other	7	4	1	0

[1] Purchasers were asked how often domestically produced or imported CWLDLP meets minimum quality specifications for their own or their customers' uses.

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates.

U.S. supply elasticity

The domestic supply elasticity[10] for CWLDLP measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of CWLDLP. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced CWLDLP. Analysis of these factors earlier indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market; an estimate in the range of 5 to 10 is suggested.

U.S. demand elasticity

The U.S. demand elasticity for CWLDLP measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of CWLDLP. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the CWLDLP in the production of any downstream products. Based on the available information, the aggregate demand for CWLDLP is likely to be inelastic; a range of -0.25 to -0.50 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[11] Product differentiation, in turn, depends upon such factors as quality (*e.g.*, chemistry, appearance, *et cetera*) and conditions of sale (*e.g.*, availability, sales terms/ discounts/ promotions, *et cetera*). Japanese producers indicate that the substitution elasticity should be revised downward to 2 to 3 due to changes in the composition of CWLDLP by U.S. producers and by Japanese producers. They indicate that Japanese producers focus on critical applications such as deep water, arctic, and sour service CWLDLP and that U.S. producers focus on supply for onshore pipeline in less demanding environments. They also indicate that U.S. producers have added capacity for HSAW CLDLP which is not substitutable for the LSAW CLDLP produced by Japanese producers. Japanese

[10] A supply function is not defined in the case of a non-competitive market.

[11] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

producers also indicate that purchaser characterizations of the interchangeability between U.S.- and Japanese-produced CWLDLP should be viewed with caution, pointing out that one-half of responding purchasers did not purchase imports from Japan.[12] Petitioners indicate that for the in-scope merchandise, customers find LSAW CWLDP and HSAW CWLDP (primarily produced by U.S. producers) to be interchangeable.[13]

Purchasers' knowledge of Japanese imports should not be discounted because they decided not to purchase CWLDLP under order. However, even focusing only on the purchasers that reported purchasing from Japan since 2007, all but one reported that U.S.-produced CWLDLP and product imported from Japan are "always" or "frequently" interchangeable, and one-half indicated that these products are "always" interchangeable. This suggests that subject imports from Japan are highly substitutable with U.S.-produced CWLDLP. Given this information about interchangeability, the elasticity of substitution between U.S.-produced CWLDLP and imported CWLDLP is still likely to be in the range of 3 to 5.

[12] Japanese respondents' prehearing brief, pp. 53-55 and Japanese respondents' posthearing brief, pp. 8-13.

[13] Domestic producers' posthearing brief, pp. 6-8.

PART III: CONDITION OF THE U.S. INDUSTRY

OVERVIEW

The information in this section of the report was compiled from responses to the Commission's questionnaires. Ten firms, which accounted for all known U.S. production of CWLDLP during January 2007 – March 2013, supplied information on their CWLDLP operations in this review.[1]

Table III-1 summarizes important industry events that have occurred since 2007. A major change in the industry during this period was the expansion in HSAW capacity. Berg Steel Pipe and Stupp were U.S. producers during the previous reviews and added HSAW production in addition to other production methods in use during the previous reviews. PSL, United Spiral Pipe, and Welspun are new producers since 2007 and all use HSAW as at least one of their production methods. HSAW pipe production is more prevalent because of certain technological advances, for example, the ability to produce wider and thicker hot-rolled coils, which are the HSAW production feedstock.

[1] The questionnaire response submitted by domestic producer *** is missing certain information. For purposes of the firm's missing trade data in this staff report, Commission staff has estimated for *** the channels of distribution quantities and wages paid to production and related workers based on the other reporting *** producers' average of such information.

Table III-1

CWLDLP: Important industry events, 2007-13

Year	Company	Event
2007	Evraz	Acquisition: Evraz acquires Oregon Steel
2007	JSW Steel	Acquisition: JSW Steel acquires SAW Pipes in Baytown, Texas
2009	Berg Steel Pipe	Capacity expansion: Berg Steel Pipe builds new HSAW mill in Mobile, Alabama. The new mill has a capacity of 175,000-200,000 tons.
	Evraz	Production curtailment: Evraz idles its Portland, Oregon mill in July.
	PSL	Capacity expansion: PSL begins production at a new HSAW mill in Bay St. Louis, Mississippi. The mill has a capacity of 300,000 tons.
	Stupp	Capacity expansion: Stupp commissions new 200,000-ton HSAW mill in Baton Rouge, Louisiana.
	United Spiral Pipe	Capacity expansion: United Spiral Pipe opens a new 300,000 ton capacity HSAW pipe in Pittsburg, California.
	Welspun Tubular	Capacity expansion: Welspun Tubular commissions new HSAW pipe mill in Little Rock, Arkansas with a capacity of 350,000 tons.
2011	U.S. Steel	Operational changes: U.S. Steel takes operational control over McKeesport, Pennsylvania pipe mill formerly operated by Camp Hill Corp.
2012	California Steel Industries	Construction begins on a new 400,000-ton ERW pipe mill on the company's site near Fontana, California. The mill will produce ERW pipe up to 24 inches in diameter and up to 80 feet in length. Construction is expected to conclude by the second half of 2014.
	Evraz	Production resumption: Evraz resumes production at its Portland, Oregon mill.
2013	Welspun Tubular	New ERW pipe mill commissioned in Little Rock, Arkansas, will have capacity of between 175,000 to 225,000 tons per year. The pipe will be produced in grades up to X80 with 6-20 inches OD.

Source: American Metal Market news articles, news articles from other sources, and company websites.

Current operations

Table III-2 presents available information relating to the domestic producers' production methods and capabilities.

Table III-2
CWLDLP: U.S. producers' production methods and capabilities, by specification

Firm	Production method	Size (*inches OD*)	Wall thickness (*inches*)	Length (*feet*)	API line pipe specifications/grades
American Steel Pipe	ERW	***	***	***	Grades B through X80
Berg Steel Pipe	HSAW	***	***	***	API grades X42 through X80 and specific pipeline proprietary specifications
	LSAW	***	***	***	
Dura-Bond Pipe	LSAW	***	***	***	Grade X42 – X80
Evraz Oregon Steel Tubular	HSAW	***	***	***	API ISO/TS 29001 API 5L API Q1 - X65, X70, X80
JSW Steel	LSAW	***	***	***	API 5L X42 to X80
PSL North America	HSAW	***	***	***	API 5L Grade B to API 5L X80
Stupp	ERW	***	***	***	API-5L B through X-80
	HSAW	***	***	***	API-5L through X-80
United Spiral Pipe	HSAW	***	***	***	Grades B through X120
U.S. Steel	ERW	***	***	***	Grades 5LB, X42, X46, X52, X56, X60, X65, and X70.
Welspun Tubular	ERW	***	***	***	Up to grade X70 and sour grade pipes
	HSAW	***	***	***	Up to grade X80

Note.--Electric Resistance Welded Line Pipe ("ERW"); Helical SAW Line Pipe ("HSAW"); Longitudinal SAW Line Pipe ("LSAW").

Source: Compiled from data submitted in response to Commission questionnaires.

Changes experienced by the industry

Domestic producers were asked to indicate whether their firm had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials or other reasons, including revision of labor agreements; or any other change in the character of their operations or organization relating to the production of CWLDLP since January 1, 2007. Nine of the ten domestic producers indicated that they had experienced such changes. *** did not provide a response to the Commission's request. The responses of the nine domestic producers are presented in table III-3.

Table III-3
CWLDLP: Changes in the character of U.S. operations since January 1, 2007

* * * * * * *

Anticipated changes in operations

The Commission asked domestic producers to report anticipated changes in the character of their operations relating to the production of CWLDLP. Their responses appear in table III-4. Three responding domestic producers reported that they anticipate certain changes in the character of their operations related to the production of CWLDLP in the future. Seven responding firms indicated that no such changes are anticipated. One U.S. producer (***) provided an internal business document that analyzes expected market conditions for CWLDLP and one U.S. producer (***) provided limited comments concerning the expected market conditions for CWLPDP.

Table III-4
CWLDLP: Anticipated changes in the character of U.S. operations

* * * * * * *

In July 2012, California Steel Industries, Inc. ("CSI"), a U.S. joint venture subsidiary equally owned by Japanese CWLDLP producer JFE and Vale S.A. (Brazil), announced plans to build a new pipe mill on the CSI site near Fontana, California. The new facility, which is expected to exceed $100 million in total capital investment, will produce high-strength ERW pipe up to 24 inches in diameter and up to 80 feet in length for "non-critical" on-shore line pipe applications. The company's existing pipe mill is limited to 16-inch diameter and 60-foot lengths. The new mill is expected to be capable of producing pipe with increased wall thicknesses at an annual production capacity of 400,000 short tons, bringing CSI's total tubular product capacity to over 600,000 short tons. At capacity, the new pipe mill's additional tonnage is expected to generate approximately 100 new production and logistics jobs at CSI, which currently employs nearly 1,000 people. The company, which processes steel slab purchased

from suppliers around the world (Brazil, Mexico, Australia, Japan, Europe, and the United States), also produces hot-rolled, cold-rolled and galvanized sheet products, with a total rolling capacity of almost 3 million tons. The new mill is expected to begin CWLDLP production in the second half of 2014.[2]

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-5 presents U.S. producers' production, capacity, and capacity utilization for CWLDLP. Figure III-1 illustrates U.S. producers' production, by type. As shown in the table, aggregate U.S. producers' CWLDLP capacity increased annually from 2.0 million short tons in 2007 to 3.3 million short tons in 2012. The capacity level during the first quarter of 2013 was higher than that reported in 2012. Seven domestic producers reported overall increases in production capacity since 2007, as noted by a number of plant openings and expansions (see table III-3). *** reported no change in capacity and *** reported an overall decline in capacity ***.

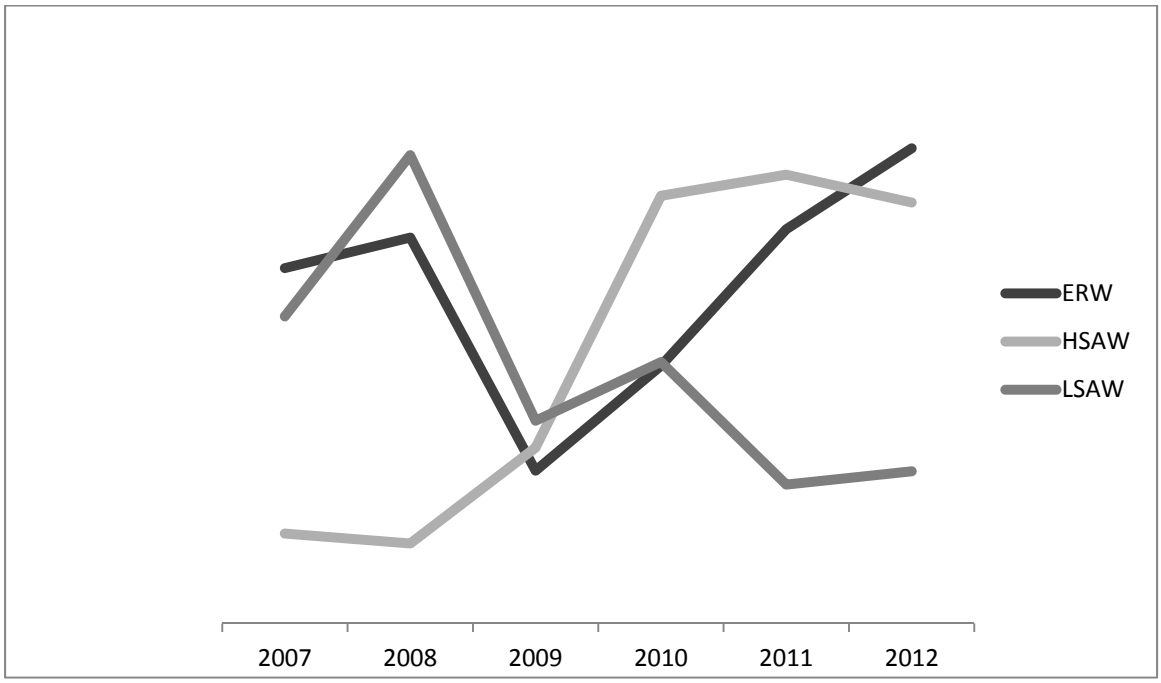
Table III-5
CWLDLP: U.S. producers' production, capacity, and capacity utilization, by type, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
Capacity (*short tons*)	2,009,374	2,089,813	2,981,639	3,060,619	3,156,264	3,286,271	812,785	887,158
Production (*short tons*)	869,953	1,081,380	620,885	1,096,689	1,132,088	1,215,399	256,660	308,437
Capacity utilization (*percent*)	43.3	51.7	20.8	35.8	35.9	37.0	31.6	34.8

Source: Compiled from data submitted in response to Commission questionnaires.

[2] Respondents' prehearing brief, pp. 9, 34, and 36; hearing transcript, p. 125 (Takeuchi); and http://www.californiasteel.com/?c=news&param1=2012.

Figure III-1
CWLDLP: U.S. producers' production, by type, 2007-12



Source: Compiled from data submitted in response to Commission questionnaires.

Domestic production increased from 2007 to 2008, fell to a period low during 2009, then increased throughout 2010-12 and was higher in January-March 2013 than in January-March 2012. Production increased overall by 39.7 percent from 2007 to 2012 and was 20.3 percent higher in January-March 2013 than in the comparable period in 2012. Capacity utilization was at its highest in 2008 (51.7 percent) and its lowest in 2009 (20.8 percent).

Four of the responding domestic firms produce ERW line pipe, six produce HSAW line pipe, and three produce LSAW line pipe. One firm (Berg Steel) produces both HSAW and LSAW line pipe and two firms (Stupp and Welspun) produce both ERW and HSAW line pipe. As shown in figure III-1 (see also table III-8), HSAW production was less than the other types of CWLDLP production until 2009 when additional domestic HSAW facilities were opened by Berg, PSL, Stupp, United Spiral, and Welspun (see table III-3). HSAW remained the dominant method of CWLDLP production during 2010-11. During 2012, ERW production was greatest in terms of quantity with increases in production by ERW producers ***.

Constraints on capacity

Eight of the ten responding U.S. producers reported constraints in the manufacturing process for CWLDLP. The comments provided by these firms concerning capacity limitations are presented in table III-6.

Table III-6
CWLDLP: U.S. producers' comments concerning constraints on capacity

* * * * * * *

Alternative products

Domestic producers *** reported that they have not produced other products on the same equipment and machinery used in the production of subject CWLDLP and/or using the same production and related workers employed to produce subject CWLDLP. The remaining seven domestic producers of CWLDLP used the same equipment and/or employees to produce a range of other steel products, including line pipe sizes up to and including 16 inches OD, structural pipe and casing, OCTG, trade plate, and piling, standard, water, and slurry pipe. While the domestic producers' production is concentrated on CWLDLP, other pipe and steel products comprise a sizable portion of their alternative production. Data regarding U.S. CWLDLP producers' total steel capacity and production of other products are presented in table III-7 (ERW), table III-8 (HSAW), table III-9 (LSAW), and table III-10 (Total, all types).

Table III-7
CWLDLP/ERW: U.S. producers' ERW steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table III-8
CWLDLP/HSAW: U.S. producers' HSAW steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table III-9
CWLDLP/LSAW: U.S. producers' LSAW steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table III-10
CWLDLP: U.S. producers' total welded steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Total, all types							
Quantity (*short tons*):								
Overall rated capacity	2,450,000	2,475,000	3,443,000	3,600,000	3,731,000	3,761,000	938,500	993,750
Average capacity	2,240,000	2,265,000	3,193,000	3,310,000	3,421,000	3,491,000	861,500	926,750
Production:								
Subject line pipe	869,953	1,080,380	620,885	1,096,689	1,132,088	1,215,398	256,660	308,437
Excluded line pipe	0	0	0	0	0	0	0	0
Other products	254,805	230,390	162,360	252,431	236,078	344,240	78,029	103,621
Subtotal, not subject	254,805	230,390	162,360	252,431	236,078	344,240	78,029	103,621
Total production	1,124,758	1,310,770	783,245	1,349,120	1,368,166	1,559,638	334,689	412,058
Total production capacity utilization (*percent*):								
Overall rated	45.9	53.0	22.7	37.5	36.7	41.5	35.7	41.5
Average	50.2	57.9	24.5	40.8	40.0	44.7	38.8	44.5
Shares (*percent*):								
Production:								
Subject line pipe	77.3	82.4	79.3	81.3	82.7	77.9	76.7	74.9
Excluded line pipe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other products	22.7	17.6	20.7	18.7	17.3	22.1	23.3	25.1
Subtotal, not subject	22.7	17.6	20.7	18.7	17.3	22.1	23.3	25.1
Total production	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

The Commission asked domestic producers if they are able to switch production between CWLDLP and other products in response to changes in the relative price of CWLDLP and other products using the same equipment and labor. Six producers reported that they are unable to switch production between products. *** reported that it is able to switch production between CWLDLP and ***. *** reported that it is able to switch production between CWLDLP and *** and noted that, although the time and cost involved in processing structural pipe is minimal, the *** market is neither large enough nor strong enough to support *** mill alone. It stated further that, in general, the minimum relative price change required to switch production between subject CWLDLP and *** is $*** per short ton. *** noted that it is able to switch production between CWLDLP and ***. *** reported that it is able to switch between ***.

The Commission also asked the domestic producers whether they anticipate producing other products on the same equipment and machinery used in the production of subject CWLDLP and/or using the same production and related workers employed to produce subject CWLDLP. Six producers reported that they do not anticipate switching between products. *** reported that it is currently producing *** at its facility but it does not anticipate being capacity constrained in a manner that would force the shift of production from one item to another. *** reported that it will continue to make ***, as well as CWLDLP. *** reported expecting production of ***. *** noted that it anticipates the production of ***.

U.S. PRODUCERS' U.S. SHIPMENTS

Table III-11 presents U.S. producers' U.S. shipments, export shipments, and total shipments of CWLDLP. Only one CWLDLP producer (***) reported minor amounts of *** during 2008 and the first quarter of 2012. In terms of quantity, U.S. producers' U.S. shipments increased from 832,565 short tons in 2007 to 1.0 million short tons in 2008, declined to a period low of 574,547 short tons in 2009, before increasing again in 2010 to 1.1 million short tons. A decline in U.S. shipments was reported after 2010. Overall, U.S. shipments in 2012 were 9.1 percent higher than those reported in 2007 and U.S. shipments during January-March 2013 were 46.1 percent lower than U.S. shipments during the comparable period in 2012. U.S. shipments accounted for greater than *** percent of total shipments during each annual period from 2007 to 2011; however, the share of total shipments held by U.S. shipments was substantially lower in 2012 and in January-March 2013. Export shipments, which accounted for only *** percent of U.S. producers' total shipments, by quantity, during 2007, increased by *** percent from 2007 to 2012. Export shipments accounted for *** percent of U.S. producers' total shipments during 2012 and *** percent during January-March 2013. The U.S. industry's increases in export shipments were largely driven by *** exports of CWLDLP to ***,[3] although a much smaller increase in exports to *** was also reported by *** and an increase in exports to *** was reported by ***.

The average unit values of U.S. producers' U.S. shipments increased from 2007 to 2009, but fell thereafter. The average unit values of U.S. producers' export shipments fluctuated from year to year with a net decline of *** percent overall between 2007 and 2012.

[3] ***.

Table III-11
CWLDLP: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity (*short tons*)							
U.S. shipments	832,565	1,023,218	574,547	1,051,901	1,011,466	908,293	251,270	135,439
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
	Value (*1,000 dollars*)							
U.S. shipments	1,052,958	1,502,506	910,353	1,606,582	1,448,765	1,254,984	352,834	172,453
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
	Unit value (*dollars per short ton*)							
U.S. shipments	1,265	1,468	1,584	1,527	1,432	1,382	1,404	1,273
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
	Share of quantity (*percent*)							
U.S. shipments	***	***	***	***	***	***	***	***
Export shipments	***	***	***	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Data on U.S. producers' 2012 shipments of CWLDLP, by grade, are presented in table III-12. Data on U.S. producers' shipments of CWLDLP, by diameter size and production method, are presented in table III-13. Data on U.S. producers' shipments of CWLDLP, by wall thickness and production method, are presented in table III-14. The most common grades shipped during 2012 were grades X 60-79. Small-sized CWLDLP, above 16 to 24 inches in O.D., was shipped in greater quantities than other sizes during all periods other than 2008-10, when U.S. shipments of pipe between 30 and 42 inches in O.D. gained share. CWLDLP in wall thicknesses of less than 0.500 inch and 0.5000 to 0.625 inches, was shipped in substantially greater volumes than thicker walled pipes throughout 2007-12, January-March 2012, and January-March 2013.

Table III-12
CWLDLP: U.S. producers' U.S. shipments, by grade, 2012

* * * * * * *

Table III-13
CWLDLP: U.S. producers' U.S. shipments, by diameter size and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table III-14
CWLDLP: U.S. producers' U.S. shipments, by wall thickness and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Table III-15 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2007-12, January-March 2012, and January-March 2013**.** Nine of the ten domestic producers reported maintaining end-of-period inventories at some point during this period. The aggregate domestic producer inventory data show that U.S. producers' inventories of CWLDLP at year-end 2012 were 297.9 percent higher than inventories held at year-end 2007, in volume terms. The ratio of inventories to production and the ratio of inventories to shipments generally increased between 2007 and 2012. Inventories on hand in March 2013 were higher than in the comparable period of 2012 in both absolute and relative terms. Although *** reported higher inventory levels during 2012 than in 2007, domestic producer ***, which began production in 2009, accounted for the vast majority of the increase during this period. At year-end 2012, inventories of CWLDLP held by *** accounted for *** percent of total inventories held by the domestic industry.

Table III-15
CWLDLP: U.S. producers' inventories, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
Inventories (short tons)	86,523	54,816	107,668	152,176	256,553	344,249	261,943	427,987
Ratio to production (*percent*)	9.9	5.1	17.3	13.9	22.7	28.3	25.5	34.7
Ratio to U.S. shipments (*percent*)	10.4	5.4	18.7	14.5	25.4	37.9	26.1	79.0
Ratio to total shipments (*percent*)	***	***	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

Data concerning U.S. producers' imports of CWLDLP and purchases of imported CWLDLP are shown in table III-16. Although two U.S. producers (***) directly imported CWLDLP from nonsubject countries, none of the domestic producers directly imported subject CWLDLP from Japan. Two domestic producers (***) purchased imported product from nonsubject countries (i.e., ***) and one domestic producer (***) purchased CWLDLP from another domestic producer. There were no reported purchases by U.S. producers of the subject merchandise imported from Japan. *** noted the reason for its purchases of CWLDLP ***. The other domestic producers did not give a reason for their purchases of imported items.

Table III-16
CWLDLP: U.S. producers' imports and purchases, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-17 shows U.S. producers' employment-related data during 2007-12, January-March 2012, and January-March 2013. The number of production and related workers (PRWs) employed by U.S. CWLDLP producers fluctuated upward from 2007 to 2012; however, the number of PRWs employed during the first quarter of 2013 was lower than the number employed during the first quarter of 2012. Hourly wages fluctuated downward over the period, with a high of $30.78 reported during 2008 and a period low of $22.11 reported in 2011. Hourly wages were $23.97 during January-March 2013 compared with $25.94 during the comparable period in 2012. Productivity fell from 2007 to 2009 but generally increased in the following periods. Conversely, unit labor costs increased from 2007 to 2009 but fluctuated downward in the following periods.

Table III-17
CWLDLP: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
PRWs (*number*)	1,044	1,701	1,504	1,575	1,389	1,668	1,407	1,361
Total hours worked (*1,000 hours*)	2,129	3,685	3,029	3,567	3,044	3,403	796	757
Hours worked per PRW (*hours*)	2,039	2,166	2,014	2,265	2,192	2,040	566	556
Wages paid *($1,000*)	60,488	113,421	76,606	85,540	67,305	87,156	20,645	18,142
Hourly wages (*dollars*)	28.41	30.78	25.29	23.98	22.11	25.61	25.94	23.97
Productivity (*short tons per 1,000 hours*)[1]	408.8	305.5	205.0	309.0	374.6	357.2	324.5	407.4
Unit labor costs (*per short ton*)	$69	$102	$123	$77	$59	$72	$79	$59

[1] Productivity (short tons produced/total hours worked) is calculated based on companies that provided both numerator and denominator data. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

Ten U.S. producers (American, Berg, Dura-Bond, Evraz, JSW Steel, PSL North America, Stupp, United Spiral, U.S. Steel, and Welspun) provided useable financial data on their operations on CWLDLP. These firms are believed to account for all U.S. production of CWLDLP in 2012. *** reported internal consumption or transfers to related firms. *** reported a very small amount of ***, which is not shown separately in this section of the report. All firms reported a fiscal year end of December 31 except JSW Steel, PSL North America, and Welspun, which reported a fiscal year end of March 31; however, ***. PSL North America and Welspun began production of CWLDLP (HSAW) in 2009, United Spiral began production of CWLDLP (HSAW) in 2010, and both Berg and Stupp expanded into the production of HSAW pipe in 2009. In addition, several firms reported prolonged shutdowns at various times since January 2007.

Operations on CWLDLP

Income-and-loss data for U.S. producers on their operations on CWLDLP are presented in table III-18, while selected financial data, by firm, are presented in table III-19. The domestic industry experienced positive operating income in five of the six full year periods; however, operating losses occurred in both three-month interim periods. Operating income increased from 2007 to 2008, declined to an operating loss in 2009, largely recovered in 2010, then irregularly declined in 2011 and 2012. A comparison of interim period data reveals an increased operating loss in January-March 2013 as compared to January-March 2012.

Net sales quantities and values increased irregularly from 2007 to 2012, but were lower in January-March 2013 as compared to January-March 2012. On a per-unit basis and as a ratio to net sales, other factory costs and selling, general, and administrative ("SG&A") expenses generally increased during this period, consistent with the structural changes and prolonged shutdowns occurring within the U.S. industry. [4] [5]

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[4] *** comprise the subset of firms which reported revenues in each full or partial year. If these firms are examined separately, aggregate data on other factory costs as a ratio to net sales were ***. Aggregate data on SG&A expenses as a ratio to net sales were ***. Finally, operating income margins were ***.

[5] U.S. producers were requested to provide the value of steel reported in their fiscal year 2012 raw material costs. Five firms (***) reported purchasing steel from unrelated firms. The per short ton steel costs for these firms ranged from $*** to $***. Five firms (***), reported purchasing steel from related firms or using own-produced steel. The per short ton steel costs for these firms ranged from $*** to $***. The anomalous $***, and reflects high costs/inefficiencies related to re-starting its mill in that year. ***.

Table III-18
CWLDLP: Results of operations of U.S. producers, 2007-12, January-March 2012, and January-March 2013.

Item	Fiscal year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity *(short tons)*							
Net sales quantity	878,107	1,123,111	518,022	953,011	1,028,235	1,182,305	251,271	224,684
	Value (*$1,000*)							
Net sales value	1,126,816	1,676,641	784,297	1,439,109	1,487,041	1,648,784	352,834	288,917
Cost of goods sold	966,709	1,401,062	763,130	1,205,060	1,288,000	1,420,466	314,107	256,229
Gross profit/(loss)	160,107	275,579	21,167	234,049	199,041	228,318	38,727	32,688
SG&A expenses	31,626	55,458	72,878	79,501	96,385	115,694	39,223	41,090
Operating income/(loss)	128,481	220,121	(51,711)	154,548	102,656	112,624	(496)	(8,402)
Other income/(expense)	(9,932)	(25,551)	(28,622)	(38,184)	(25,261)	(14,848)	1,010	8,627
Net income/(loss)	118,549	194,570	(80,333)	116,364	77,395	97,776	514	225
Depreciation/amortization	12,364	19,500	30,762	52,962	45,739	53,299	12,175	12,549
Cash flow	130,913	214,070	(49,571)	169,326	123,134	151,075	12,689	12,774
	Ratio to net sales (*percent*)							
Raw materials	70.6	68.4	68.4	64.5	69.7	69.1	68.9	69.4
Direct labor	5.8	5.2	7.0	5.9	4.9	5.5	7.0	7.4
Other factory costs	9.4	9.9	21.8	13.3	11.9	11.6	13.2	11.9
Cost of goods sold	85.8	83.6	97.3	83.7	86.6	86.2	89.0	88.7
Gross profit /(loss)	14.2	16.4	2.7	16.3	13.4	13.8	11.0	11.3
SG&A expenses	2.8	3.3	9.3	5.5	6.5	7.0	11.1	14.2
Operating income/(loss)	11.4	13.1	(6.6)	10.7	6.9	6.8	(0.1)	(2.9)
	Unit value (*per short ton*)							
Net sales	$1,283	$1,493	$1,514	$1,510	$1,446	$1,395	$1,404	$1,286
Cost of goods sold:								
Raw materials	906	1,022	1,036	974	1,009	963	968	893
Direct labor	74	78	107	89	71	77	98	95
Other factory costs	121	148	330	201	173	161	185	153
Cost of goods sold	1,101	1,247	1,473	1,264	1,253	1,201	1,250	1,140
Gross profit /(loss)	182	245	41	246	194	193	154	145
SG&A expenses	36	49	141	83	94	98	156	183
Operating income /(loss)	146	196	(100)	162	100	95	(2)	(37)
	Number of firms reporting							
Operating losses	2	1	4	3	6	6	5	5
Data	7	7	8	10	9	10	9	9

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-19
CWLDLP: Results of operations of U.S. producers, by firm, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Since 2007, several firms either began operations on HSAW CWLDLP or expanded operations to include the production of HSAW CWLDLP. In addition, several firms reported production disruptions or other operational changes during this time. Overall, these events led to operational inefficiencies which negatively impacted the financial performance of the industry.

According to ***.[6] According to ***.[7] According to ***.[8] According to ***.[9]

*** than the other reporting firms, particularly after 2010. According to ***.[10] According to ***.[11]

Variance analysis

The variance analysis presented in table III-20 is based on the data in table III-18.[12] The analysis shows that the decline in operating income from 2007 to 2012 is primarily attributable to a higher unfavorable net cost/expense variance despite favorable price and volume variances (that is, costs and expenses increased more than prices). In January-March 2013 as compared to January-March 2012, the analysis shows that the decline in operating income is primarily attributable to a higher unfavorable price variance despite a favorable net cost/expense variance (that is, prices declined more than costs and expenses).

[6] E-mail correspondence from ***, June 13, 2013.

[7] E-mail correspondence from ***, June 24, 2013.

[8] E-mail correspondence from ***, June 19, 2013.

[9] E-mail correspondence from ***, June 19, 2013.

[10] E-mail correspondence from ***, July 11, 2013.

[11] E-mail correspondence from ***, July 1, 2013.

[12] The Commission's variance analysis is calculated in three parts; sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost variance is calculated as the change in unit price or unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or unit cost. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances.

Table III-20
CWLDLP: Variance analysis on the operations of U.S. producers, 2007-12, and January-March 2012 to January-March 2013

Item	Calendar and Fiscal year						Jan.-Mar.
	2007-12	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total net sales:	Value *($1,000)*						
Price variance	131,611	235,428	10,966	(3,771)	(65,661)	(61,074)	(26,584)
Volume variance	390,357	314,397	(903,310)	658,583	113,593	222,817	(37,333)
Total net sales variance	521,968	549,825	(892,344)	654,812	47,932	161,743	(63,917)
Cost of sales:							
Cost variance	(118,865)	(164,628)	(116,906)	198,879	12,179	60,527	24,642
Volume variance	(334,892)	(269,725)	754,838	(640,809)	(95,119)	(192,993)	33,236
Total cost variance	(453,757)	(434,353)	637,932	(441,930)	(82,940)	(132,466)	57,878
Gross profit variance	68,211	115,472	(254,412)	212,882	(35,008)	29,277	(6,039)
SG&A expenses:							
Expense variance	(73,112)	(15,008)	(47,299)	54,573	(10,609)	(4,867)	(6,017)
Volume variance	(10,956)	(8,824)	29,879	(61,196)	(6,275)	(14,442)	4,150
Total SG&A variance	(84,068)	(23,832)	(17,420)	(6,623)	(16,884)	(19,309)	(1,867)
Operating income variance	(15,857)	91,640	(271,832)	206,259	(51,892)	9,968	(7,906)
Summarized as:							
Price variance	131,611	235,428	10,966	(3,771)	(65,661)	(61,074)	(26,584)
Net cost/expense variance	(191,977)	(179,636)	(164,205)	253,452	1,570	55,660	18,625
Net volume variance	44,509	35,848	(118,593)	(43,422)	12,199	15,382	52

Note--Unfavorable variances are shown in parenthesis; all others are favorable.

Source: Compiled from data submitted in response to Commission questionnaires.

Capital expenditures and research and development expenses

The responding firms' aggregate data on capital expenditures and research and development ("R&D") expenses are shown in table III-21. Aggregate capital expenditures increased sharply from 2007 to 2009, then generally declined in 2010 and 2011 before increasing once again in 2012. In January-March 2013, capital expenditures were substantially higher than in January-March 2012. Aggregate R&D expenses consistently increased from 2007 to 2012, but were lower in January-March 2013 as compared to January-March 2012. ***. The increase in 2012 primarily reflects ***.[13] Lastly, ***.[14] In total, nine firms reported capital expenditures and three firms reported R&D expenses.

Table III-21
CWLDLP: Capital expenditures and research and development expenses of U.S. producers, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Assets and return on investment

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of CWLDLP to compute return on investment ("ROI"). Data on the U.S. producers' total assets and their ROI are presented in table III-22. The total assets utilized in the production, warehousing, and sales of CWLDLP increased from $727.9 million in 2007 to more than $1.5 billion in 2010 before declining somewhat in 2011 and 2012 to levels of approximately $1.4 billion. The ROI declined irregularly between 2007 and 2012, and ranged from negative 4.7 percent (2009) to 24.1 percent (2008).

Table III-22
CWLDLP: U.S. producers' total assets and return on investment, 2007-12

Item	Fiscal year					
	2007	2008	2009	2010	2011	2012
	Value (*$1,000*)					
Total assets	727,894	912,251	1,102,691	1,521,503	1,441,299	1,385,866
Operating income or (loss)	128,481	220,121	(51,711)	154,548	102,656	112,624
	Ratio (*percent*)					
Return on investment	17.7	24.1	(4.7)	10.2	7.1	8.1

Source: Compiled from data submitted in response to Commission questionnaires.

[13] E-mail correspondence from ***, June 28, 2013.
[14] E-mail correspondence from ***, June 19, 2013.

PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRIES

U.S. IMPORTS

Overview

Twenty-two firms provided the Commission with data on their U.S. imports of CWLDLP in the original investigation and 21 U.S. importing firms supplied the Commission with usable information on their operations involving the importation of CWLDLP in the first five-year reviews.[1] In this current five-year review, the Commission issued questionnaires to 30 firms believed to import CWLDLP between January 2007 to March 2013, as well as to all U.S. producers of CWLDLP. Fifteen firms provided data and information in response to the questionnaires, while eight firms indicated that they had not imported product during 2007-12, January-March 2012, and January-March 2013. Based on official Commerce statistics for imports of line pipe, 8 responding importers represented approximately 95 percent of total U.S. imports from Japan (both subject and excluded line pipe) during 2007-12 and 13 responding importers represented approximately one-half of total U.S. imports from all nonsubject countries combined during 2007-12.[2] Compared to subject exports to the United States provided by Japanese producers in their questionnaire responses, U.S. importers responding to the Commission's questionnaire accounted for 105.1 percent of subject exports from Japan between January 2007 and March 2013. In light of the import data coverage by the Commission's questionnaires, U.S. import data presented in this report are based on questionnaire responses for subject imports from Japan and official Commerce statistics for imports of line pipe from nonsubject sources, as adjusted using questionnaire responses for product exclusions.[3]

Imports from subject and nonsubject countries

Table IV-1 presents information on U.S. imports of CWLDLP from Japan and all other sources between January 2007 and March 2013. During this period, CWLDLP entered the

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[1] *Certain Welded Large Diameter Line Pipe from Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, p. IV-1; *Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review),* USITC Publication 3953, October 2007, p. I-28.

[2] Coverage estimates were calculated based on the responding firms' aggregate share of total U.S. imports as compiled by applicable Commerce official import statistics (HTS statistical reporting numbers 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, and 7305.19.5000). Substantial U.S. importers from nonsubject sources that did not provide a response to the Commission's importer questionnaire as identified by proprietary Customs data are as follows: ***.

[3] Official import statistics of Commerce for CWLDLP imports consist of entries under HTS statistical reporting numbers 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, and 7305.19.5000.

United States from Japan and more than two dozen other countries. The leading country suppliers of CWLDLP to the United States are shown in table IV-2.

Table IV-1
CWLDLP: U.S. imports, by subject and nonsubject source, 2007-12, January-March 2012, and January-March 2013

Item	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity (*short tons*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Total U.S. imports	1,743,090	1,774,983	958,438	711,823	492,690	680,039	233,488	221,754
	Value (*1,000 dollars*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Total U.S. imports	2,197,032	2,429,639	1,462,880	1,018,372	596,045	1,013,639	362,551	291,706
	Unit value (*dollars per short ton*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Average, total imports	1,260	1,369	1,526	1,431	1,210	1,491	1,553	1,315
	Share of quantity (*percent*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Total U.S. imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value (*percent*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Total U.S. imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Ratio of imports to U.S. production (*percent*)							
Japan	***	***	***	***	***	***	***	***
All others	***	***	***	***	***	***	***	***
Total U.S. imports	200.4	164.1	156.0	65.0	43.4	56.1	91.1	71.9

Source: Compiled from data submitted in response to Commission questionnaires for Japan and from official Commerce statistics for nonsubject countries (as adjusted for excluded line pipe).

Table IV-2
CWLDLP: U.S. imports from leading sources, 2007-12, January-March 2012, and January-March 2013

Source	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Quantity (*short tons*)							
Subject source:								
Japan	***	***	***	***	***	***	***	***
Nonsubject sources:								
Brazil	24,591	10,433	463	308	27	42	21	0
Canada	498,323	286,757	292,851	137,480	168,844	261,249	34,354	94,848
China	69,043	102,347	17,140	26,372	36,581	34,790	8,464	5,421
France	36	307	23,829	34,788	14	0	0	348
Germany	163,046	189,534	24,140	23,588	53,446	100,423	65,213	17,017
Greece	208,531	164,208	58,918	29,738	60,162	99,775	71,367	9,606
India	403,594	575,999	304,976	219,483	85,824	67,986	731	22,403
Italy	198,317	154,908	113,369	178,883	2,283	13,548	0	0
Korea	116,809	122,897	53,775	39,448	83,435	177,318	59,330	42,741
Mexico	0	2,313	348	632	1,258	3,737	281	543
Romania	26,185	25,114	4,507	10,801	7,196	15,286	3,298	3,490
Taiwan	1,149	2,803	0	913	1,767	45	45	0
Turkey	0	96,113	51,260	11,670	0	2,743	2,162	11,800
United Kingdom	112,452	10,114	5,289	3,579	5,579	136,570	15,549	53,935
All other[1]	11,129	18,770	4,074	1,154	1,478	1,419	0	136
Less nonsubject source exclusions	***	***	***	***	***	***	***	***
Subtotal, nonsubject source	***	***	***	***	***	***	***	***
Total, all sources	1,743,090	1,774,983	958,438	711,823	492,690	680,039	233,488	221,754

Table continued on the following page.

Table IV-2--*Continued*
CWLDLP: U.S. imports from leading sources, 2007-12, January-March 2012, and January-March 2013

Source	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Value (*$1,000*)							
Subject source:								
Japan	***	***	***	***	***	***	***	***
Nonsubject sources:								
Brazil	33,171	16,524	899	793	94	121	53	0
Canada	635,357	395,384	365,306	150,000	208,716	365,001	51,390	124,939
China	54,006	103,848	19,468	21,065	34,517	32,010	8,412	4,424
France	122	170	39,664	59,139	23	0	0	434
Germany	237,648	305,965	60,330	42,059	94,637	147,724	91,462	24,384
Greece	285,186	248,497	101,363	40,540	66,742	120,898	84,655	10,455
India	518,843	759,658	514,893	396,812	100,305	101,485	647	29,988
Italy	220,361	205,697	172,280	230,361	1,446	13,123	0	0
Korea	105,982	145,703	62,492	33,957	83,840	183,120	59,298	43,942
Mexico	0	4,476	738	995	1,661	4,207	250	660
Romania	26,086	31,408	4,453	10,111	8,304	18,152	4,004	3,880
Taiwan	830	2,761	0	769	1,514	42	42	0
Turkey	0	144,759	82,891	19,561	0	3,544	3,058	16,953
United Kingdom	177,004	18,701	12,238	4,231	6,540	274,443	79,430	89,547
All other[1]	9,512	30,685	13,638	8,275	2,087	912	0	113
Less nonsubject source exclusions	***	***	***	***	***	***	***	***
Subtotal, nonsubject source	***	***	***	***	***	***	***	***
Total, all sources	2,197,032	2,429,639	1,462,880	1,018,372	596,045	1,013,639	362,551	291,706

Table continued on the following page.

Table IV-2--*Continued*
CWLDLP: U.S. imports from leading sources, 2007-12, January-March 2012, and January-March 2013

Source	Calendar year						January-March	
	2007	2008	2009	2010	2011	2012	2012	2013
	Unit value (*dollars per short ton*)							
Subject source:								
Japan	***	***	***	***	***	***	***	***
Nonsubject sources:								
Brazil	1,349	1,584	1,944	2,578	3,500	2,874	2,509	--
Canada	1,275	1,379	1,247	1,091	1,236	1,397	1,496	1,317
China	782	1,015	1,136	799	944	920	994	816
France	3,364	556	1,665	1,700	1,627	--	--	1,249
Germany	1,458	1,614	2,499	1,783	1,771	1,471	1,403	1,433
Greece	1,368	1,513	1,720	1,363	1,109	1,212	1,186	1,088
India	1,286	1,319	1,688	1,808	1,169	1,493	885	1,339
Italy	1,111	1,328	1,520	1,288	634	969	--	--
Korea	907	1,186	1,162	861	1,005	1,033	999	1,028
Mexico	--	1,935	2,121	1,575	1,320	1,126	890	1,216
Romania	996	1,251	988	936	1,154	1,187	1,214	1,112
Taiwan	722	985	--	842	857	942	942	--
Turkey	--	1,506	1,617	1,676	--	1,292	1,415	1,437
United Kingdom	1,574	1,849	2,314	1,182	1,172	2,010	5,108	1,660
All other[1]	855	1,635	3,348	7,168	1,412	643	--	830
Less nonsubject source exclusions	***	***	***	***	***	***	***	***
Average, nonsubject source	***	***	***	***	***	***	***	***
Average, all sources	1,260	1,369	1,526	1,431	1,210	1,491	1,553	1,315

[1] All other includes imports from Argentina, Belgium, Hong Kong, Mozambique, Norway, Philippines, Russia, Singapore, South Africa, Spain, Thailand, Ukraine, and Vietnam.

Note.—The following eight U.S. importers responding to the Commission's questionnaire reported U.S. imports of excluded line pipe from Japan: ***.

Note.—Excluded line pipe from nonsubject countries primarily originated in ***.

Source: Compiled from data submitted in response to Commission questionnaires for Japan and from official Commerce statistics for nonsubject countries (as adjusted for excluded line pipe).

Subject U.S. imports from Japan fluctuated since 2007-12, increasing from *** short tons in 2007 to *** short tons in 2008 and decreasing overall to *** short tons in 2012. Subject U.S. imports from Japan were higher at *** short tons in interim (January-March) 2013 than *** short tons in interim 2012. The total quantity of CWLDLP imports from all nonsubject sources likewise fluctuated during this period. Imports from nonsubject countries were lower in 2012 than reported in 2007, and were lower in interim (January-March) 2013 than in interim 2012. The largest sources of CWLDLP imports from countries other than Japan during 2012 were Canada, Korea, United Kingdom, and Germany.

Data on 2012 U.S. imports of CWLDLP from Japan and all nonsubject sources combined, by grade, are presented in tables IV-3 and IV-4. These data show that a majority of subject U.S. imports from Japan during 2012 were ERW of grades X 80-89, with the remaining U.S. imports from Japan comprising a *** amount of LSAW grades X 50-59. The most common grades of U.S. imports from all other sources during 2012 were ERW and HSAW pipe in grades X 60-79.

Table IV-3
CWLDLP: U.S. imports from Japan, by grade, 2012

* * * * * * *

Table IV-4
CWLDLP: U.S. imports from all nonsubject sources, by grade, 2012

* * * * * * *

Data on U.S. imports of CWLDLP from Japan and all nonsubject sources combined, by diameter size and production method, are presented in tables IV-5 and IV-6. From 2007 to 2009, ERW pipe between 16 and 24 inches in O.D. and LSAW in sizes greater than 16 inches and up to 42 inches in O.D. accounted for the majority of U.S. imports from Japan; however, since 2010, the most common size/type of pipe imported from Japan was the small-sized ERW pipe between 16 and 24 inches in O.D. (except in interim 2013, when LSAW in sizes greater than 30 inches O.D. up to 42 inches O.D. was more common). Imports of HSAW pipe in sizes greater than 30 inches O.D. up to 42 inches O.D. from all other sources was shipped in greater quantities than other sizes of such imports during 2007-09. During 2010-12, small-sized ERW between 16 and 24 inches in O.D., accounted for the greater share of U.S. imports from all other sources.

Data on U.S. imports of CWLDLP from Japan and all nonsubject sources combined, by wall thickness and production method, are presented in tables IV-7 and IV-8. Although CWLDLP imported from Japan was of all wall thicknesses up to 1.0 inches, a larger proportion of such imports were in wall thicknesses between 0.5 to 1.0 inches during 2007-11. Beginning in 2012, greater amounts of CWLDLP imported from Japan were of wall thicknesses less than 0.5 inches. Concerning U.S. imports from all other sources, CWLDLP in the thinnest wall thicknesses, less than 0.5 inches, was imported in greater volumes than thicker walled pipes throughout much of this period.

Table IV-5
CWLDLP: U.S. imports from Japan, by diameter size and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table IV-6
CWLDLP: U.S. imports from all nonsubject sources combined, by diameter size and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table IV-7
CWLDLP: U.S. imports from Japan, by wall thickness and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table IV-8
CWLDLP: U.S. imports from all other nonsubject sources combined, by wall thickness and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

The Commission asked importers whether they had experienced any changes in the character of their operations or organization relating to the importation of CWLDLP since 2007. Four of the fourteen responding importers indicated that they had experienced such changes. The responses of the four U.S. importers are presented in table IV-9.

Table IV-9
CWLDLP: Changes in the character of U.S. importers since January 1, 2007

* * * * * * *

The Commission asked U.S. importers to report anticipated changes in the character of their operations relating to the importation of CWLDLP. Two responding importers reported that they anticipate certain changes in the character of their operations related to the importation of CWLDLP in the future. Their responses appear in table IV-10.

Table IV-10
CWLDLP: Anticipated changes in the character of U.S. importer operations

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO MARCH 31, 2013

The Commission requested importers to indicate whether they had imported or arranged for the importation of CWLDLP from Japan for delivery after March 31, 2013. Fourteen of the fifteen responding U.S. importers indicated that they have not arranged for the importation of CWLDLP from Japan for delivery after March 31, 2013. Although *** indicated

that it had arranged for future deliveries of imported CWLDLP from Japan, the data provided by *** indicated that none of these future deliveries were scheduled for ***.

U.S. IMPORTERS' INVENTORIES

Table IV-11 presents data for inventories of U.S. imports of CWLDLP from Japan and all other sources held in the United States. Two importers of subject merchandise from Japan (***) and five importers of line pipe from nonsubject countries reported maintaining end-of-period inventories at some point since 2007, although no inventories were reportedly held by U.S. importers of the subject merchandise at year-ends 2010-12. Importers of line pipe from nonsubject countries reported inventories of CWLDLP at year-end 2012 were *** percent higher than inventories held at year-end 2007, in volume terms.

Table IV-11
CWLDLP: U.S. importers' end-of-period inventories of imports, by source, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

THE INDUSTRY IN JAPAN

Overview

In the original investigations, four producers in Japan provided the Commission with complete data: Kawasaki Steel Corp. ("Kawasaki"), Nippon Steel Corp. ("Nippon"), NKK Corp. ("NKK"), and Sumitomo Metal Industries, Ltd. ("Sumitomo"). In 2003, JFE Steel Corp. ("JFE") was created as a result of the merger of Kawasaki and NKK and JFE subsequently operated the CWLDLP production facilities of the former Kawasaki and NKK. In the first five-year review, three producers in Japan provided responses to the Commission's questionnaire: JFE, Nippon, and Sumitomo. In October 2012, Nippon and Sumitomo integrated their businesses to become Nippon Steel & Sumitomo Metal Corp. ("NSSMC").

In their responses to the Commission's notice of institution in the current five-year reviews, counsel on behalf of respondents identified two known producers of CWLDLP in Japan: JFE and NSSMC. The Commission issued questionnaires to both companies and both firms provided complete responses. Accordingly, the data presented in this section of the report are for JFE and NSSMC and are believed to represent the entire CWLDLP industry in Japan. NSSMC, the larger of the two Japanese CWLDLP producers, accounted for *** of total CWLDLP production in Japan during each year from 2007 to 2012 and during January-March 2013. NSSMC accounted for *** percent of total Japanese CWLDLP capacity and *** percent of total Japanese CWLDLP production during 2012. In addition, JFE accounted for *** of exports of CWLDLP from Japan to the United States during *** and NSSMC accounted for all exports of CWLDLP from Japan to the United States during ***.

Table IV-12 presents comparative information available from the original investigation, the first five-year review, and the current review. Both firms in Japan produce both ERW and LSAW line pipe. Neither firm reported the capacity to produce HSAW line pipe. Capacity, production, and capacity utilization in Japan were lower in 2012 than reported in 2006. Export shipments continue to account for nearly all shipments by producers of CWLDLP.

Table IV-12
CWLDLP: Comparison of select Japanese producer data, 2000, 2006, and 2012

Item	2000	2006	2012
Capacity (*short tons*)	616,248	1,086,984	***
Production (*short tons*)	536,677	1,077,702	***
Capacity utilization(*percent*)	87.1	99.1	***
Exports/shipments (*percent*)	***	98.4	***
Inventories/shipments (*percent*)	***	11.8	***

Note.—ERW line pipe production in Japan amounted to *** short tons in 2000, *** short tons in 2006, and *** short tons in 2012. SAW line pipe production in Japan amounted to *** short tons in 2000, *** short tons in 2006, and *** short tons in 2012.

Source: *Investigation Nos. 731-TA-919 and 920 (Review): Certain Welded Large Diameter Line Pipe from Japan and Mexico- Final Staff Report*, INV-EE-129, September 14, 2007, table IV-14; and compiled from data submitted in response to Commission questionnaires.

Large diameter line pipe operations

Data on Japan's total CWLDLP capacity, production, inventories, and shipments are presented in table IV-13.

Between 2007 and 2012, Japanese CWLDLP capacity and production fluctuated noticeably. Capacity utilization fell from *** percent in 2007 to *** percent in 2009, but increased to *** percent in 2012. Capacity utilization was lower at *** percent during January-March 2013 than the level reported during the comparable period in 2012. By far the largest share of reported available capacity in Japan is for the production of ERW line pipe.

Table IV-13
CWLDLP: Japanese producers' capacity, production, shipments, and inventories, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

In response to the Commission's questions concerning any changes in the character of operations relating to the production of CWLDLP, JFE Shoji noted ***. Japanese producer NSSMC reported the following ***. The firm noted ***.

From 2007 to 2012, the Japanese industry's home market shipments of CWLDLP fell from *** short tons in 2007 to *** short tons in 2009, then generally increased to *** short tons in 2012. Commercial home market shipments were higher during the first quarter of 2013 than in the comparable period of 2012. Home market shipments remained below *** percent of total shipments by Japanese producers during 2007-12, January-March 2012, and January-March 2013.

The CWLDLP producers in Japan reported that there are no known tariff or non-tariff barriers to trade for their exports of CWLDLP in any countries other than the United States. The Japanese producers' total exports of CWLDLP fluctuated from 2007 to 2012, but were ***-percent lower in 2012 than in 2007. Total exports were higher during the first quarter of 2013 than in the comparable period of 2012. Exports of CWLDLP from Japan to the United States, which accounted for a relatively small and generally declining share of total shipments, fell from *** short tons in 2007 to *** short tons in 2012. The Japanese producers exported *** short tons of CWLDLP to the United States during the first quarter of 2013. The *** of U.S. exports of CWLDLP from Japan from 2007 to 2012 were by ***, with a *** percent share in every year except 2007 (*** percent) and 2011 (*** percent). All U.S. exports of CWLDLP from Japan in 2013 were ***. Total exports of CWLDLP from Japan to the United States accounted for less than *** percent of total shipments during 2012 and *** percent of total shipments during the first quarter of 2013. The Japanese producers' exports of CWLDLP to ***, which accounted for approximately *** of the firms' total shipments during 2008 and 2009, declined as a share of total shipments since 2009, when the Japanese producers ***. JFE Shoji explained ***. NSSMC explained ***.[4]

Sales of CWLDLP accounted for a small share of total sales by producers in Japan. In their most recent fiscal year, sales of CWLDLP represented *** percent of JFE Shoji's total sales and *** percent of NSSMC's total sales. The Japanese producers of CWLDLP reported using the same equipment and/or employees to produce a range of other steel products, including the specifically excluded line pipe sizes up to and including 16 inches OD, and structural, OCTG, and standard pipes. Data regarding Japanese CWLDLP producers' total steel capacity and production of subject CWLDLP and other products are presented in table IV-14 (ERW), table IV-15 (LSAW), and table IV-16 (Total, both types).

Table IV-14
CWLDLP/ERW: Japanese producers' ERW steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table IV-15
CWLDLP/LSAW: Japanese producers' LSAW steel pipe capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

[4] In closed sessions, JFE and NMSSC separately discussed pursued or targeted projects with delivery periods ranging from 2011-12 through 2016-17. These projects covered a range of grades, sizes, and quantities, and included certain projects for which a successful bid had already been placed, such as for the ***. Hearing transcript, pp. 188-190 (Nakayama) and 203-205 (Takeuchi), with associated exhibits. Domestic interested parties, however, provided additional information regarding this issue, and concluded that a number of the projects ***. U.S. Steel's posthearing brief, exhibit 1, pp. 2-5; domestic producers' posthearing brief, pp. 13-14.

Table IV-16
CWLDLP: Japanese producers' capacity, production, and capacity utilization, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

NSSMC indicated ***. It also noted that ***. Concerning constraints on its capacity, ***. JFE Shoji indicated ***.

Data on Japanese producers' 2012 total shipments of CWLDLP, by grade, are presented in table IV-17. Data on Japanese producers' total shipments of CWLDLP, by diameter size and production method, are presented in table IV-18. Data on Japanese producers' total shipments of CWLDLP, by wall thickness and production method, are presented in table IV-19.

Table IV-17
CWLDLP: Japanese producers' total shipments, by grade, 2012

* * * * * * *

Table IV-18
CWLDLP: Japanese producers' total shipments, by diameter size and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Table IV-19
CWLDLP: Japanese producers' total shipments, by wall thickness and production method, 2007-12, January-March 2012, and January-March 2013

* * * * * * *

Available *Global Trade Atlas* data concerning exports of large diameter line pipe from Japan, by destination country, are presented in table IV-20. These data, which may include line pipe excluded from the product scope of this review, show that the top five export destinations for Japanese large diameter line pipe during 2012 were as follows (in order from largest destination): Malaysia, Saudi Arabia, the United States, Indonesia, and Singapore. These five export destinations accounted for 76.4 percent of total exports during 2012. The United States, which was the third largest export destination for Japanese large diameter line pipe during 2012, accounted for 14.6 percent of total exports. Exports of large diameter line pipe from Japan to the United States increased from 145,563 short tons in 2007 to 158,879 short tons in 2008, but fell to a period low of 61,222 short tons during 2010. Japanese exports to the United States increased thereafter to a period high of 177,497 short tons in 2012.

Table IV-20
Large diameter line pipe: Japanese global exports, 2007-12

Export market	Calendar year					
	2007	2008	2009	2010	2011	2012
	Quantity (*short tons*)					
Malaysia	234,280	354,564	109,057	322,596	346,003	326,516
Saudi Arabia	126,801	80,669	23,467	106,816	87,771	200,299
United States	145,563	158,879	103,462	61,222	147,935	177,497
Indonesia	38,838	6,523	1,183	182,486	54,771	116,985
Singapore	96,926	93,928	45,028	93,918	92,969	109,192
United Arab Emirates	209,174	221,247	98,896	83,097	36,570	92,102
Canada	183,262	107,270	118,816	152,195	38,261	54,071
Norway	0	4,191	0	31	0	20,930
Thailand	11,851	8,768	60,595	7,940	9,676	19,355
Netherlands	11,049	32	121	2,479	2,483	19,316
Iraq	0	0	0	0	7,065	16,911
China	6,204	275,555	93,546	1,034	7,352	12,294
Belgium	6,331	6,129	3,571	9,351	9,289	11,344
United Kingdom	5,391	86,847	35,853	37,666	68	8,885
Mozambique	0	0	0	0	0	8,303
Korea South	190	1,152	1,071	7,546	14,174	5,036
Vietnam	413	2,692	472	69	16,091	4,565
Qatar	161,818	2,728	1,493	0	2,409	4,450
France	7,178	2,711	0	79,447	30,811	3,800
Australia	312	18,811	5,205	26,209	47,970	2,094
Russia	32,980	3,925	5,461	25,218	45,478	1,625
Taiwan	324	0	1,636	2,677	177	942
Nigeria	0	1,494	0	18,859	1,728	775
Papua New Guinea	0	0	0	0	4,151	478
Italy	76	214	13	33	470	378
Kazakhstan	0	0	25	0	0	130
Egypt	17,103	0	55,294	0	202	83
Germany	0	0	6	0	0	35
Greece	0	0	0	2,291	0	35
Brunei Darussalam	2,470	17	0	0	0	9
Spain	9	0	0	8,697	0	8
Croatia	0	0	0	42	11	2
Czech Republic	0	0	0	0	0	0
Denmark	0	6	0	0	0	0
Brazil	19,156	26,999	1,010	0	789	0
Algeria	0	0	94	1,909	107	0
Argentina	0	0	321	0	0	0
Gabon	0	0	0	20	0	0
Georgia	0	0	0	0	5,502	0
Guyana	0	0	0	0	0	0
Hong Kong	449	1,224	0	0	0	0
India	132,006	2,553	0	0	0	0
Philippines	0	0	103	0	49	0
Oman	0	4,381	212	0	0	0
Iran	5,676	0	0	2,797	2	0
Kuwait	820	244	18,946	33	2,122	0
Mongolia	0	0	0	2	0	0
Trinidad & Tobago	11	6,490	0	0	0	0
Romania	0	0	0	17	0	0
South Africa	0	0	0	0	4,548	0
Total	1,456,662	1,480,240	784,952	1,236,695	1,017,006	1,218,447

Note.--Exports may include line pipe excluded from the product scope of this review.
Note.--The sum may not equal totals due to rounding.

Source: Compiled from data from the *Global Trade Atlas* for HTS subheadings 7305.11, 7305.12, and 7305.19.

GLOBAL MARKET

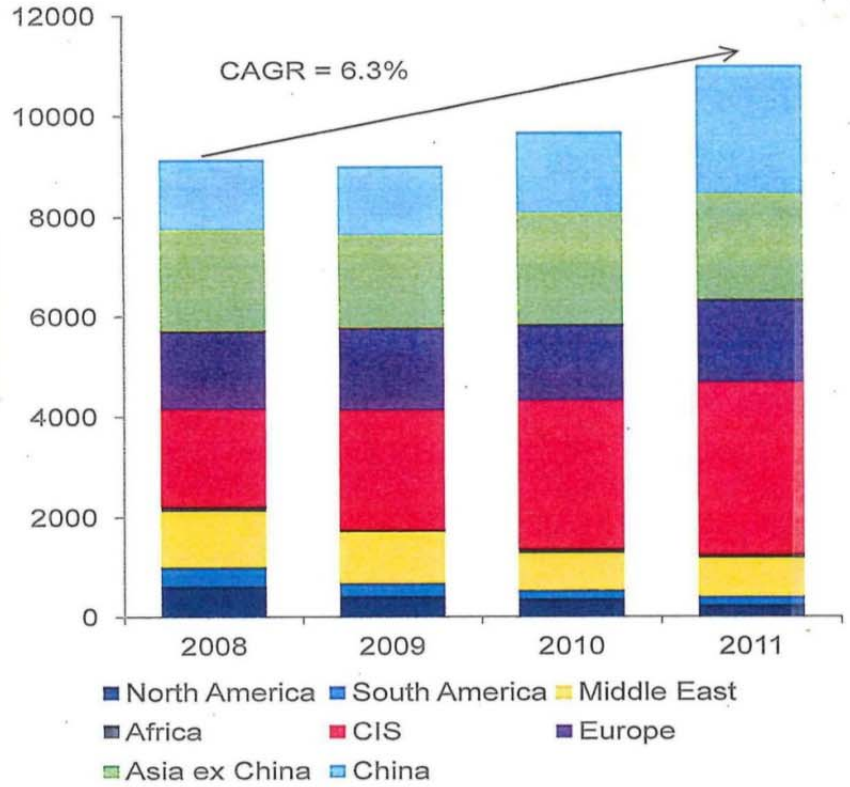
Production

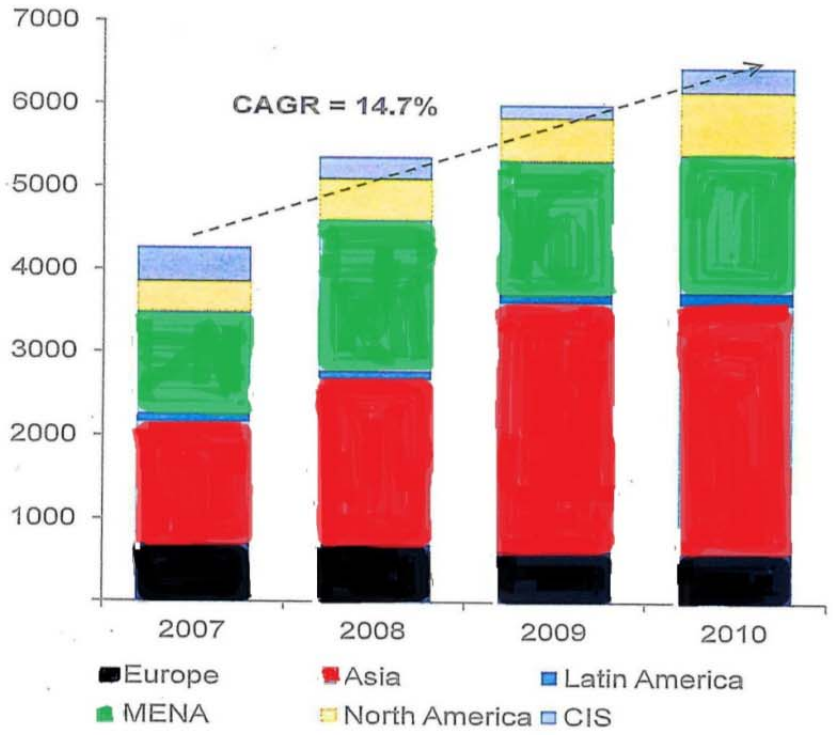
Although data on global CWLDLP production are not generally publicly available, Hatch Management Consulting (HMC) prepared information for the broader product group of large diameter line pipe during 2007-11.[5] HMC estimated global LSAW production in 2010 to be 11.2 million metric tons. The industry in Russia accounted for 26 percent of global LSAW production and its major producers included TMK, OMK, Chelpipe, and Severstal. The industry in China accounted for 23 percent of production and its major producers are Baosteel, Liaoyang Steel Tube Co., Ltd, and Panyu Chu Kong Steel Pipe Co., Ltd. Producers in Western Europe had a 13-percent global production share, Japan 9 percent, India 8 percent, and the United States 2 percent. HMC estimated total 2010 global HSAW line pipe production to be 6.5 million metric tons. Major producers include the industries in China (22 percent share of global HSAW production in 2010), India (19 percent), Turkey (15 percent), the United States (12 percent), Western Europe (9 percent), and Russia (5 percent). China had an estimated 15-20 API certified HSAW mills.

LSAW and HSAW line pipe production grew during 2007-10 (figure IV-1). LSAW production increased every year during 2007-10 while HSAW line pipe production decreased during 2007-08 but increased every year thereafter. The increase in LSAW production was driven mainly by Russia and China while Asia and the United States accounted for most of the increase in HSAW line pipe production.

[5] Hatch Management Consulting, "Outlook for the North American Large Diameter Line Pipe Market," presentation at the American Metal Market, Steel Tube and Pipe Conference, March 23, 2011 and "The Outlook for the OCTG and Line Pipe Markets in the Middle East," presentation at the American Metal Market Middle East Steel Tube & Pipe conference, February 22, 2012. Data may include large diameter line pipe with combinations of diameters and wall thicknesses that are excluded from CWLDLP. The 2011 presentation contains data for 2007-10 while the 2012 presentation contains data for 2008-11. Therefore, certain data presented in this section may be presented for two different time periods.

Figure IV-1
LSAW Line Pipe: Global production, by region, 2008-11 **HSAW Line Pipe: Global production, by region, 2007-10**
Quantity *(1,000 metric tons)*





Note.—CAGR = Compounded Annual Growth Rate, MENA = Middle East and North African countries, CIS = Commonwealth of Independent States of which Russia is the largest producer.
Note. -- Data may include large diameter line pipe with combinations of diameters and wall thicknesses that are excluded from CWLDLP.

Source: Hatch Management Consulting, "Outlook for the North American Large Diameter Line Pipe Market," presentation at the American Metal Market, Steel Tube and Pipe Conference, March 23, 2011 and "The Outlook for the OCTG and Line Pipe Markets in the Middle East," presentation at the American Metal Market Middle East Steel Tube & Pipe conference, February 22, 2012.

LSAW line pipe capacity and consumption

According to HMC's estimates, global LSAW line pipe capacity grew at a compounded annual growth rate of 6.9 percent during 2008-12, while global LSAW line pipe production increased at a compounded annual growth rate of 6.3 percent during 2008-11 (figure IV-2). LSAW capacity is forecast to exceed 24 million metric tons in 2012. HMC projects the greatest capacity growth to be in Asia, especially China, and the CIS (primarily Russia).

LSAW line pipe-consuming regions, in descending order of magnitude, are Russia, China, Asia other than China, the Middle East and North African countries, Western Europe, North America, and South America (figure IV-3). Trade flows involve exports from Japan, India, and Asia other than China to North America, Middle East, and Russia and exports from Western Europe to Russia and the Middle East. Western Europe, Japan, and India were the major LSAW line pipe exporters in 2011 with the major import markets being Russia and the Middle East.[6] Not shown in figure IV-3 is the export flow from China to the Middle East. ***.[7]

Global demand

Trends

All or almost all U.S. producers, importers, and Japanese producers reported that demand for CWLDLP outside the United States either increased or fluctuated since 2007 and anticipate demand to either increase or fluctuate in the future, while responding purchasers provided a mixed response regarding demand since 2007 and looking into the future. Firms cited an increase in oil and gas exploration and production activities, particularly in markets such as Australia, North Africa, Middle East, Canada, and Mexico as reasons for the increase since 2007. One firm indicated that low natural gas prices in the United States have created pipeline opportunities in Mexico. Two firms indicated that demand has been down in the EU, one citing the financial difficulties in the region. Firms cited factors such as new pipe projects, higher demand for oil and natural gas, and the economic recovery as reasons for expected increases in demand. Both responding Japanese producers reported that demand in their home markets has not changed since 2007 and do not anticipate a change in demand in the future. One Japanese producer indicated that there is almost no line pipe market in Japan and that it does not expect a line pipe market in Japan in the future.

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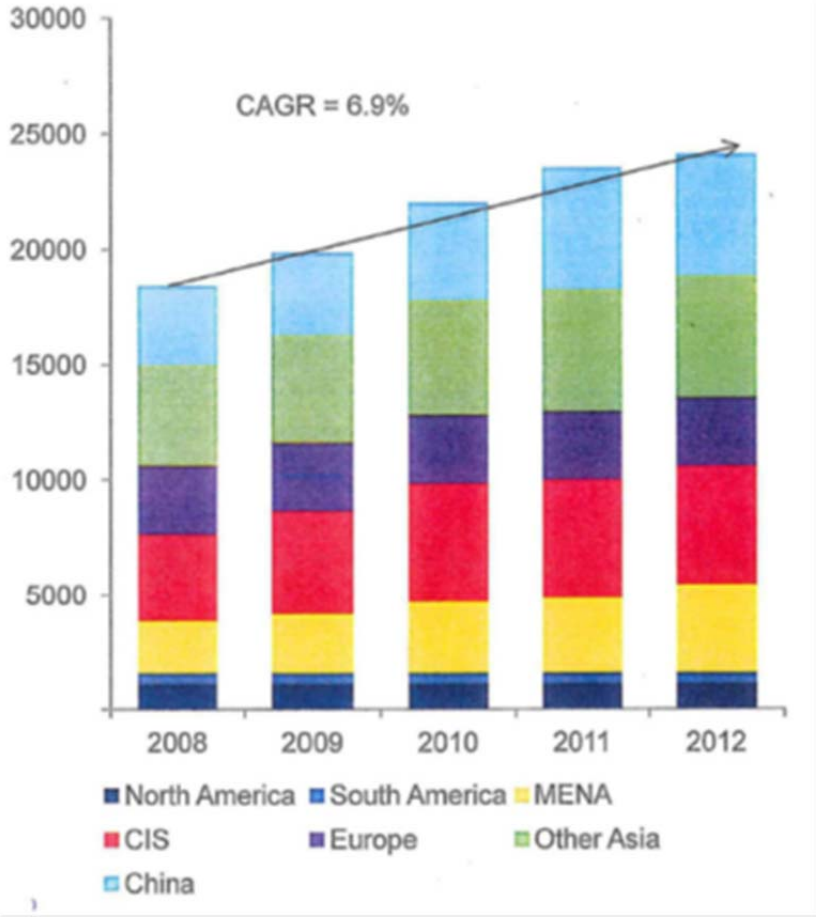
[6] "Indian mills that were present in importing both HSAW and LSAW into the USA heavily in 2007-09 have set up their own HSAW operations in the USA now e.g. Welspun, PSL etc. and have left the import market." Hatch Management Consulting, "Outlook for the North American Large Diameter Line Pipe Market," presentation at the American Metal Market, Steel Tube and Pipe Conference, March 23, 2011 According to official Commerce import data, annual U.S. imports from India decreased from 403,594 to 67,986 short tons during 2007-12.

[7] ***.

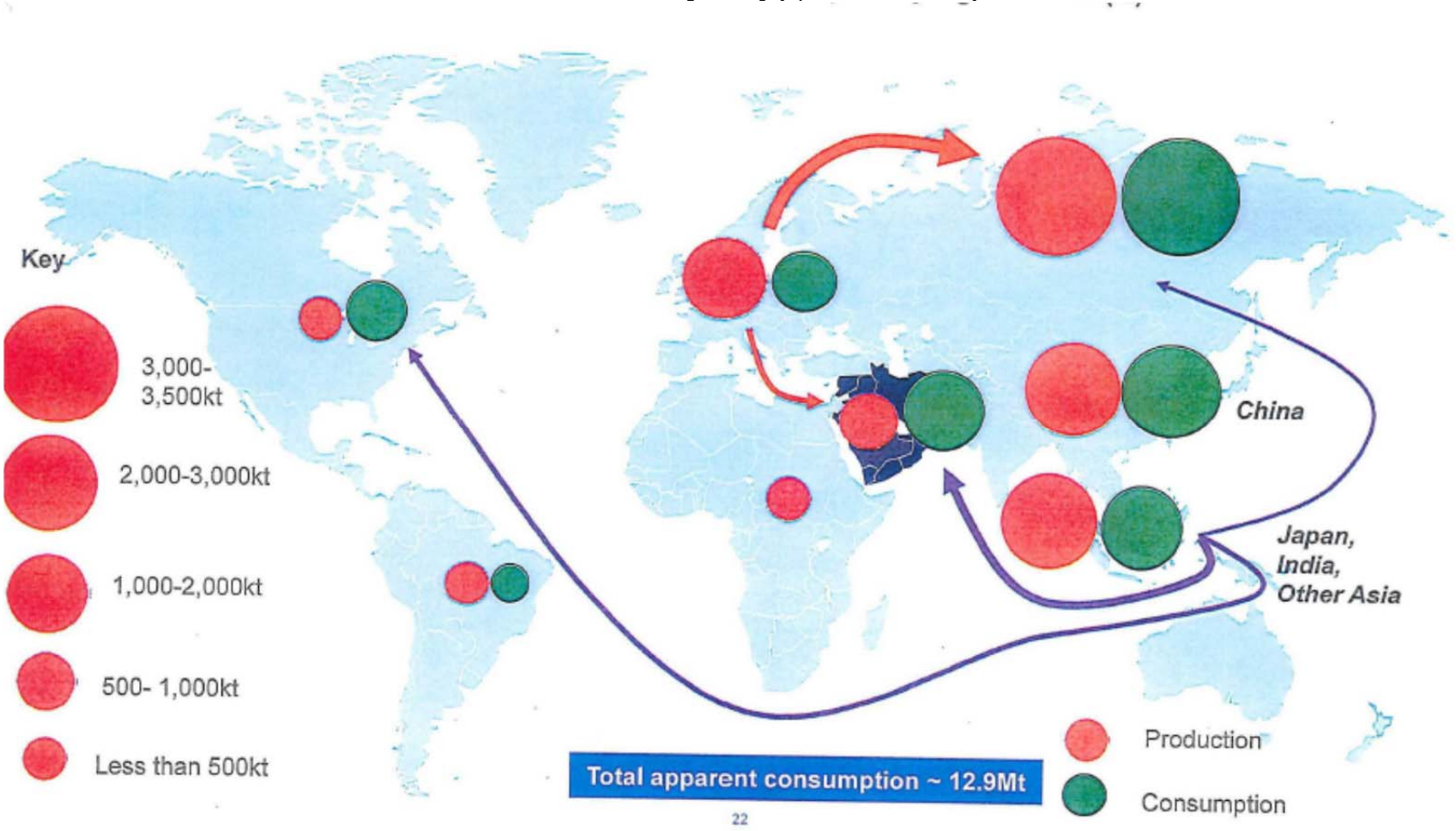
Figure IV-2
LSAW line pipe: Global capacity by region, 2008-12
Quantity *(1,000 metric tons*)



Note.—MENA = Middle East and North African countries

Source: Hatch Management Consulting, "The Outlook for the OCTG and Line Pipe Markets in the Middle East," presentation at the American Metal Market Middle East Steel Tube & Pipe conference, February 22, 2012.

Figure IV-3
LSAW line pipe: Global production, consumption, and trade flows, by region, 2011
Quantity (1,000 metric tons)



Note.—kt = 1,000 metric tons, Mt = million metric tons.

Source: Hatch Management Consulting, "The Outlook for the OCTG and Line Pipe Markets in the Middle East," presentation at the American Metal Market Middle East Steel Tube & Pipe conference, February 22, 2012.

Factors[8]

The market for large diameter line pipe reflects the requirements of large-scale projects involving gas and oil conveyance; these projects have long lead times, and therefore show major fluctuations in demand over the long term. Once a pipeline is in place, there is limited replacement demand for a period of at least 30 years or even longer. While the short-term outlook for large diameter line pipe demand can be assessed, longer-term future demand is more difficult to forecast.

During the past few years, a number of structural events, affecting the locations of oil and gas supply and demand, have triggered resurgence in large diameter line pipe demand. These events include:

- The increase in Chinese oil and gas demand, which has resulted in substantial internal investment in large diameter line pipe distribution networks, as well as demand for large diameter line pipe from CIS countries. While China's demand for large diameter line pipe was initially met by overseas suppliers, its domestic pipe capacity is now able to meet the country's demand. Now, pipe supplies exceed internal demand and China has become a net exporter of LD pipe.
- Rising Indian demand for oil and gas will require the development of a major internal distribution network, and therefore huge supplies of large diameter line pipe.
- A shift from oil towards natural gas consumption in Europe, requiring new sources of natural gas supply from the CIS and North Africa. The need to deliver those new supplies of gas to European markets has raised the demand for large diameter line pipe to cross the CIS and the Mediterranean. Demand will be further raised as and when a decision is made to tap pan-African oil and gas supplies.
- The development of new sources of gas supply in North America, such as the Rockies, and the shale deposits in Marcellus and elsewhere, and the development of the Canadian oil sands. This has stimulated new investment in large diameter line pipe capacity in North America.
- Economic growth and industrialization in the Middle East have required the construction of distribution networks for oil and gas to internal markets, rather than just for exports.
- The development of uses for liquid natural gas ("LNG"), which requires previously stranded gas to be piped for export; the development of new LNG terminals in consuming nations; and the onward distribution of LNG to markets.[9]
- Substantially higher prices due to rising demand have facilitated investment in new, harder to reach sources of oil and gas, such as offshore fields in the Caspian Sea and off the coast of West Africa.

[8] Information in this section was obtained from Metal Bulletin Research, "The Large Diameter Steel Pipe Market, "February 25, 2013.

[9] "Stranded gas" is natural gas which cannot be used locally or transported economically to other markets.

- Higher gas prices have changed the economics for bringing stranded gas to consumer markets. The piping of Alaskan North Slope supplies to the USA and Canadian markets and the piping of gas from Nigeria to Europe could now be viable, but oil and gas companies are yet to commit to developing these projects.

All of these projects will require large supplies of large diameter line pipe. However, the end of some of those projects and uncertainty in others have led to an estimated decline in large diameter line pipe demand in 2012 of 9 percent but increasing global demand is predicted during 2013-15. The third West-East pipeline in China, expansion of Indian gas distribution investment, ongoing oil sands distribution investment, shale gas distribution, South Stream in the Mediterranean, along with expansion in the Australian North West shelf, Middle East distribution and rising exploration and distribution activity in Africa are likely to contribute to global demand for large diameter line pipe. However, projects such as the Alaskan North Slope are unlikely prior to 2016-17 and realistically may be delayed beyond that date.

Domestic interested parties state that recent developments cast doubt on some of the assertions noted above from the Metal Bulletin Research, "The Large Diameter Steel Pipe Market," article dated February 25, 2013. They say that the article's prediction of rising demand in India is contradicted by testimony from a Japanese witness at the hearing that there is a recession in the Indian economy. Further, ***[10]

Pipeline construction[11]

Most of the planned pipeline construction to be completed in 2013 is being built in the United States and the Asia-Pacific region.[12] The United States accounts for 35.8 percent of global large diameter gas pipeline construction and 26.9 percent of large diameter pipeline construction for crude. Pipelines in the Asia-Pacific region accounts for a 41.1-percent share of global gas pipeline construction and 49.0 percent of crude pipeline construction (table IV-21). While global planned pipeline construction to be completed in 2013 was greater than that planned for 2012 completion, global projected pipeline construction (beyond 2013 completion) decreased for the fifth consecutive year as gas pipeline construction estimates softened. The Asia-Pacific region will account for 37.1 percent of future (beyond 2013 completion) global pipeline construction; the great majority of these pipelines will convey gas (table IV-22).

[10] U.S. Steel's posthearing brief, exh. 1, pp. 5-6.

[11] Information in this section is from, Oil and Gas Journal, "Worldwide Pipeline Construction: Crude, Products Plans Push 2013 Construction Sharply Higher," February 4, 2013.

[12] The Asia-Pacific region includes locations east of the Ural Mountains and south of the Caucasus Mountains, excluding the Middle East.

Table IV-21
Large diameter line pipe:[1] Pipeline construction in 2013 for projects planned to be completed in 2013

Countries and Regions: Gas pipelines	12-20 inches O.D.[2]	22-30 inches O.D.	32 inches or greater O.D.[3]	Total
	Miles			
United States	961	835	393	2,189
Canada	149	48	76	273
Latin America	155	---	---	155
Asia-Pacific	20	939	1,553	2,512
Europe	50	230	132	412
Middle East	34	227	308	569
Africa	---	---	---	---
Total gas	1,369	2,279	2,462	6,110
Countries and regions: Crude pipelines				
United States	164	516	485	1,165
Canada	152	129	0	281
Latin America	129	0	0	129
Asia-Pacific	---	570	1,553	2,123
Europe	20	---	175	195
Middle East	255	---	---	255
Africa	---	186	---	186
Total crude	720	1,401	2,213	4,334
World Total				
Gas	1,369	2,279	2,462	6,110
Crude	720	1,401	2,213	4,334
Total	2,089	3,680	4,675	10,444

[1] May include line pipe in size/grade combinations (thick-walled line pipe) outside the product scope.
[2] May include line pipe outside the product scope with outside diameter less than 16 inches.
[3] May include line pipe outside the product scope with outside diameter greater than 64 inches.

Note.--Asia-Pacific includes locations east of the Ural Mountains and south of the Caucasus Mountains, excluding the Middle East.
Note.—Europe includes locations west of the Ural Mountains and north of the Caucasus Mountains.
Note.—Planned construction of refined petroleum product pipelines is not presented as the great majority of these pipelines are in the 12-20 inch O.D. range. Staff estimates that a large share of these pipelines are constructed from line pipe scope with outside diameters smaller than 16 inches and therefore, outside the product scope.

Source: Oil and Gas Journal, “Worldwide Pipeline Construction: Crude, Products Plans Push 2013 Construction Sharply Higher,” February 4, 2013.

Table IV-22
Large diameter line pipe:[1] Pipeline construction beyond 2013 for projects underway or set to begin in 2013 and to be completed after 2013[2]

Countries and Regions: Gas pipelines	12-20 inches O.D.[3]	22-30 inches O.D.	32 inches or greater O.D.[4]	Total
	Miles			
United States	726	1,806	1,464	3,996
Canada	---	---	959	959
Latin America	297	1,190	1,296	2,783
Asia-Pacific	928	4,801	7,220	12,949
Europe	325	705	4,407	5,437
Middle East	165	---	1,076	1,241
Africa	---	672	1,396	2,068
Total gas	2,441	9,174	17,818	29,433
Countries and regions: Crude pipelines				
United States	1,224	1,195	676	3,095
Canada	112	1,196	827	2,135
Latin America	---	224	210	434
Asia-Pacific	---	270	1,300	1,570
Europe	---	595	---	595
Middle East	71	293	---	364
Africa	---	211	1,240	1,451
Total crude	1,407	3,984	4,253	9,644
World Total				
Gas	2,441	9,174	17,818	29,433
Crude	1,407	3,984	4,253	9,644
Total	3,848	13,158	22,071	39,077

[1] May include line pipe in size/grade combinations (thick-walled line pipe) outside the product scope.
[2] Includes some major projects, likely to come to fruition, whose installation will begin in 2013 or later.
[3] May include line pipe outside the product scope with outside diameter less than 16 inches.
[4] May include line pipe outside the product scope with outside diameter greater than 64 inches.

Note.—Asia-Pacific includes locations east of the Ural Mountains and south of the Caucasus Mountains, excluding the Middle East.
Note.—Europe includes locations west of the Ural Mountains and north of the Caucasus Mountains.
Note.—Planned construction of refined petroleum product pipelines is not presented as the great majority of these pipelines are in the 12-20 inch O.D. range. Staff estimates that a large share of these pipelines are constructed from line pipe scope with outside diameters smaller than 16 inches and therefore, outside the product scope.

Source, Oil and Gas Journal, "Worldwide Pipeline Construction: Crude, Products Plans Push 2013 Construction Sharply Higher," February 4, 2013.

Global exports

The global exports of large diameter line pipe are relatively concentrated with the top four exporting countries accounted for 55.7 percent of 2012 global exports (by quantity). Three of the top four sources are in Asia.

Global exports peaked in 2011 before decreasing in 2012 by 21.3 percent. Most export sources also experienced declines during 2011-12; the exceptions were Japan (exports increased by 19.8 percent), Malaysia (11.1 percent increase), and Korea (29.9 percent). Even with the export decrease during 2011-12, total exports were greater in 2012 than in 2007. Among the major export sources, only Japan and Ukraine experienced lower export volumes in 2012 than in 2007. The unit value of exports from most of the major exporting countries in 2012 was within $100 of $1,000 per ton; the exceptions were Japan with the highest unit value of $1,451 and Korea with the second highest unit value of $1,207 (table IV-23).

Table IV-23
Large diameter line pipe:[1] Global exports, by country, 2007-12

	Calendar year					
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Source	**Quantity (*short tons*)**					
China	844,945	1,475,125	1,057,317	730,143	1,389,172	1,318,495
India	921,931	1,417,006	999,476	1,902,969	1,319,484	1,291,284
Japan	1,456,662	1,480,240	784,952	1,236,695	1,017,006	1,218,447
Germany	985,173	902,390	1,032,607	1,169,829	2,248,815	1,113,735
Malaysia	516,812	187,448	724,211	179,893	475,412	528,219
Korea	216,977	334,479	186,855	288,701	383,506	498,258
Ukraine	524,425	434,573	582,348	281,311	603,440	477,910
All other	2,415,179	2,510,124	2,407,916	2,651,093	3,840,909	2,425,189
Total	7,882,103	8,741,386	7,775,684	8,440,634	11,277,745	8,871,537
	Value *($1,000)*					
China	680,252	1,818,366	1,467,976	623,074	1,350,151	1,399,443
India	1,000,864	1,639,061	1,163,765	2,516,106	1,577,956	1,392,449
Japan	1,446,730	1,770,119	1,054,885	1,150,356	1,271,466	1,768,221
Germany	1,386,558	1,511,484	1,355,434	1,171,258	2,185,621	1,216,490
Malaysia	354,118	198,462	580,992	272,639	466,860	593,166
Korea	230,510	452,279	212,479	304,171	488,575	601,323
Ukraine	593,154	710,411	644,371	301,015	670,373	513,307
All other	3,031,108	3,726,890	3,842,425	2,892,240	4,323,306	3,106,250
Total	8,723,294	11,827,072	10,322,326	9,230,860	12,334,307	10,590,649
	Unit value (*dollars per short ton*)					
China	805	1,233	1,388	853	972	1,061
India	1,086	1,157	1,164	1,322	1,196	1,078
Japan	993	1,196	1,344	930	1,250	1,451
Germany	1,407	1,675	1,313	1,001	972	1,092
Malaysia	685	1,059	802	1,516	982	1,123
Korea	1,062	1,352	1,137	1,054	1,274	1,207
Ukraine	1,131	1,635	1,107	1,070	1,111	1,074
All other	1,255	1,485	1,596	1,091	1,126	1,281
World average	1,107	1,353	1,328	1,094	1,094	1,194

[1] May include line pipe excluded from the scope of this review such as certain size/grade combinations (thick-walled line pipe) and line pipe with an outside diameter exceeding 64 inches.

Source: Global Trade Atlas for HTS headings 7305.11, 7305.12, and 7305.19.

Prices

Tables IV-24, IV-25, and IV-26 present available price data on ERW, HSAW,[13] and LSAW line pipe for selected countries and regions during January 2007-June 2013. Typically, ERW line pipe is the least expensive line pipe, HSAW is more expensive, and LSAW line pipe is the most expensive.

Table IV-24
Line pipe: Prices for ERW X-42 line pipe, by country or by region and by month, January 2007-June 2013

* * * * * * *

Table IV-25
Line pipe: Prices for LSAW line pipe made by the U-O-E process (X-65), by country or by region and by month, January 2007-June 2013

* * * * * * *

Table IV-26
Line pipe: Prices for HSAW line pipe X-65, by country or by region and by month, January 2007-June 2013

* * * * * * *

[13] The Japanese industry does not use HSAW to produce CWLDLP. Price data are unavailable for HSAW line pipe exported from China.

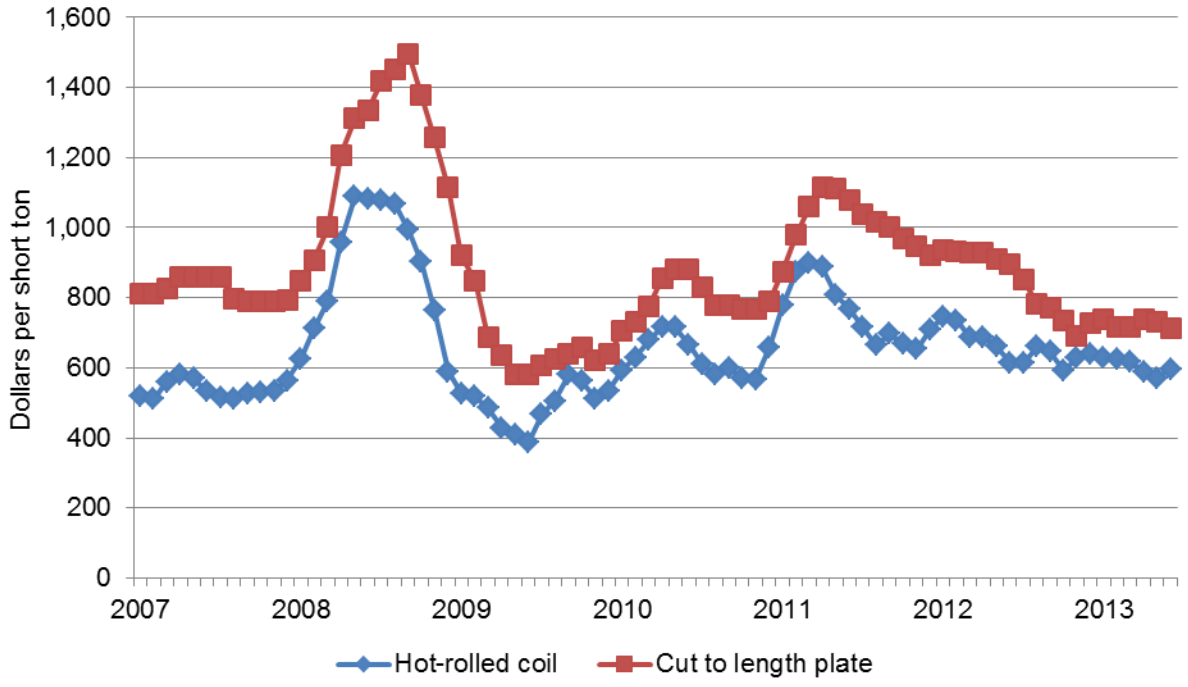
PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The primary raw material used in the production of CWLDLP differs according to the method of production. For ERW pipe, hot-rolled steel coil is the principal raw material. For SAW pipe, the principal raw materials are cut-to-length plate (for LSAW) or hot-rolled steel coil (for HSAW). The significance of raw material costs in the overall cost structure varies among U.S. producers, but such costs accounted for approximately 80 percent of the total 2012 cost of goods sold for CWLDLP production. The prices of hot-rolled coil and cut-to-length plate fluctuated since 2007, increasing sharply during the first half of 2008 and then falling sharply in the second half of 2008 (see figure V-1). The price for cut-to-length plate declined overall, while the price for hot rolled coil increased, reducing the spread between cut-to-length plate and hot-rolled coil. The cost of scrap and iron ore (for integrated producers) has risen as well. The price of scrap has fluctuated since the beginning of 2007, and increased noticeably in early 2008, before falling sharply in late 2008 (figure V-2). The price of iron ore increased by about 70 percent since 2007 (table V-l). In addition, electricity costs increased by about 5 percent, while natural gas costs have decreased by half since 2007.

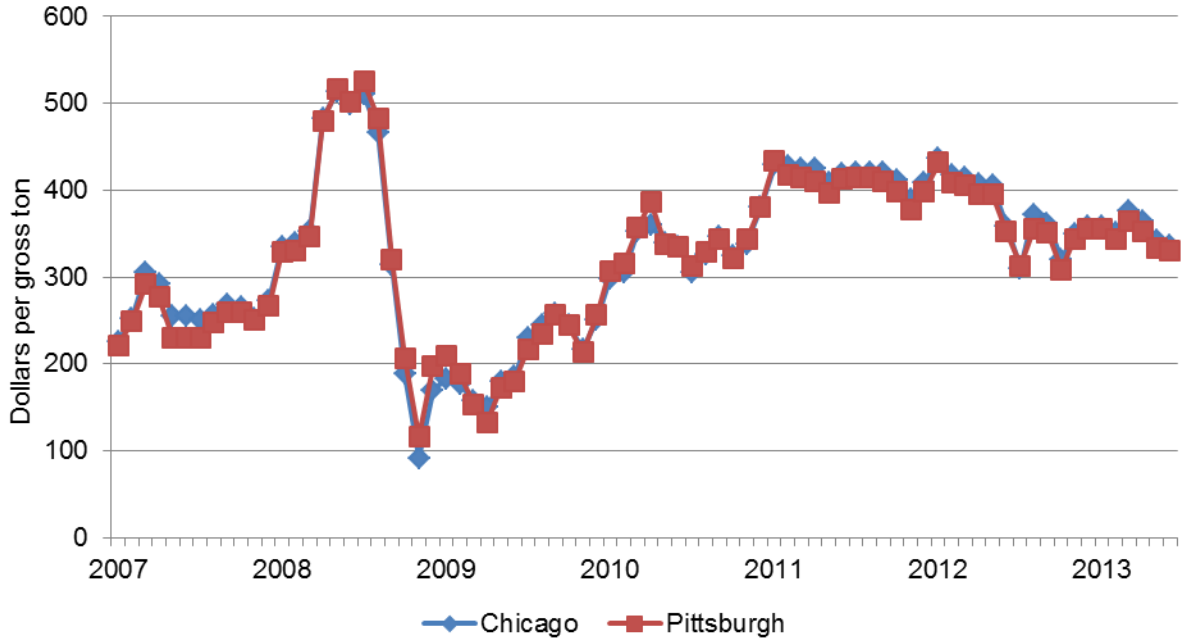
Figure V-1
Hot-rolled coil and cut-to-length plate: Average prices, monthly, January 2007 to June 2013



Source: American Metal Market LLC.

Figure V-2

Ferrous scrap: No. 1 heavy melt, Chicago and Pittsburgh average consumer prices, monthly, January 2007 to June 2013



Source: American Metal Market LLC.

Table V-1

U.S. natural gas, electricity, and iron ore, 2007 to 2012

Item	2007	2008	2009	2010	2011	2012
U.S. natural gas industrial price[1]	$7.68	9.65	5.33	5.49	5.11	3.86
Electricity industrial price[2]	6.39	6.83	6.81	6.77	6.82	6.70
Iron ore (per metric ton)	59.64	70.43	92.76	98.79	99.45	101.00

[1] Price to industrial users in dollars per thousand cubic feet.
[2] Price to industrial users in cents per kilowatt-hour.

Sources: U.S. Energy Information Administration, http://www.eia.gov/dnav/ng/ng_pri_sum_dcu_nus_m.htm, http://www.eia.gov/electricity/data.cfm, and USGS estimates, http://minerals.usgs.gov/minerals/pubs/commodity/iron_ore/

U.S. inland transportation costs

Six of eight responding U.S. producers and five of eight responding importers reported that they typically arrange transportation to their customers. Most U.S. producers reported that their U.S. inland transportation costs ranged from 8 to 10 percent of total delivered cost while importers reported costs of 2 to 4 percent.[1]

PRICING PRACTICES

Pricing methods

Questionnaire responses reveal that most sales of CWLDLP in the United States are made on a transaction-by-transaction basis, although two producers and five importers reported using contracts (see table V-2). As noted in the first review of CWLDLP, project business typically involves a standard bidding process initiated by end users, with maintenance, repair, and other business typically involving spot sales to distributors.[2] Five of nine responding producers (***) and five of nine responding importers sold strictly on the spot market, while the other four producers and two importers sold exclusively via short-term contracts. No U.S. producers reported producing CWLDLP subject to agreements that contain a right of first refusal or subject to reservation agreements. Only one purchaser (***) reported that any of its purchases of CWLDLP in 2012 were subject to agreements that contain a right of first refusal and one purchaser (***) reported that its purchases of CWLDLP were subject to reservation agreements. For *** of its purchases were subject to a right of first refusal, while for *** of its purchases were subject to reservation agreements.

Table V-2

CWLDP: U.S. producers and importers reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	8	10
Contract	2	5
Set price list	1	0
Other	0	0

[1] The sum of responses down will not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

[1] One U.S. producer (***) indicated that its U.S. inland transportation costs ranged from 10 to 20 percent.

[2] *Certain Welded Large Diameter Line Pipe from Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review)*, USITC Publication 3953, October 2007, p. V-5.

Standard bidding process

The standard bidding process has not changed substantially since 2001. Based on questionnaire responses from U.S. producers and importers, CWLDLP sales generally involve a closed bidding process. Purchasers, typically oil and gas transmission companies, initiate the process by formulating a plan covering technical specifications, terms, and timing requirements associated with the welded large diameter line pipe necessary for a particular project. This plan then serves as the basis for the Request for Quotation issued by purchasers to approved CWLDLP manufacturers, which in turn determine their bids on the basis of estimated costs, available capacity, competition, location, specifications, coating, freight, and, in the case of some foreign bids, changes in exchange rates. Most purchasers contacted between three to seven suppliers. CWLDLP manufacturers are given approximately 2 to 3 weeks to submit their bids.

Purchasers do not typically reveal the identities of competing bidders to other bidders. Seventeen purchasers reported using a bidding process; of these, 15 reported that the bidding process was closed, and all of these 15 purchasers did not share information on bidders. Eight, however, reported that it was "common knowledge" which firms were bidding. Almost all producers and importers reported that purchasers do not share information about which firms are bidding for a contract, but that the identities of the competitors is "common knowledge." One producer replied that purchasers sometimes reveal a few specifics about competing bids, but not the price or which firm made the offer.

Only three of 10 responding producers, two of nine responding importers, and four of 17 responding purchasers indicated that there is more than one chance in bidding on a particular project.

About one-half of purchasers reported making purchases on an irregular basis, depending on factors such as project activity, inventory levels, and customer demand. Almost all responding purchasers reported that they did not expect their purchasing patterns to change in the next two years.

Sales terms and discounts

The majority of U.S. producers and all importers did not report having fixed discount policies. However, some U.S. producers reported that volume discounts may be granted during negotiations with individual customers. Most U.S. producers and importers reported that payment is required within 30 days. A majority of U.S. producers reported that prices are quoted on an f.o.b. basis, and a majority of importers reported quotes are made on a delivered basis.

Price leadership

Seven of twenty-two responding purchasers reported that there were price leaders for CWLDLP. Firms identified by multiple purchasers as price leaders were American Steel Pipe, Berg Steel, California Steel, IPSCO, JSW, Stupp, Tenaris, and U.S. Steel. Ten purchasers indicated that they did not know if there are price leaders, four purchasers indicated that there are no

price leaders, and one purchaser indicated that price leaders are difficult to identify in the CWLDLP market.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following CWLDLP products shipped to unrelated U.S. customers during the first quarter of 2007 to the first quarter of 2013 by production method (ERW, HSAW, and LSAW). Prices for products can vary by production method.

Product 1.-- Line pipe, 18 - 24 in. OD, 0.375 - 0.500 in. wall, API 5 LX-42-X56, regardless of length

Product 2.-- Line pipe, 18 - 24 in. OD, 0.375 - 0.625 in. wall, API 5 LX-70-X79, regardless of length

Product 3.-- Line pipe, 26 - 36 in. OD, 0.625 - 1.000 in. wall, API 5 LX-42-X52, regardless of length

Product 4.-- Line pipe, 30 - 42 in. OD, 0.625 - 1.000 in. wall, API 5 LX-60-X70, regardless of length

Product 5.-- Line pipe, 16 - 20 in. OD, 0.375 - 0.625 in. wall, API 5 L X-42-X52, regardless of length

Five U.S. producers and four importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of product and approximately *** percent of subject imports from Japan in 2012.[3]

Price data for products 1-5 by production method (ERW, HSAW, and LSAW) are presented in tables V-3 to V-12 and figure V-3.

[3] Product 5 was recommended by respondent interested parties in their comments on the draft questionnaires as a small diameter product that would reflect CWLDLP used for gathering line pipes for shale play. Japanese producers' comments on draft questionnaires, April 2, 2013, p. 3. This product has some overlap with the specifications for product 1. Therefore the coverage of the price data is somewhat overstated. Product that was 16 inches in diameter was removed from the price data.

Table V-3
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 produced using ERW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-4
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 produced using LSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-5
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 produced using ERW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-6
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 produced using HSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-7
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 produced using LSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-8
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 produced using LSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-9
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 produced using HSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-10
CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 produced using LSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-11

CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 produced using ERW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Table V-12

CWLDLP: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 produced using LSAW technology and margins of underselling/(overselling), by quarters, January 2007-March 2013

* * * * * * *

Figure V-3
CWLDLP: Weighted-average quarterly f.o.b. selling prices and quantities of domestic and imported product, by quarters, January 2007-March 2013

* * * * * * *

Price trends

Prices generally increased during 2007 to 2013. Table V-13 summarizes the price trends, by country, product and production method. As shown in the table, domestic price for ERW products and prices for product imported from Japan generally increased while trends for HSAW and LSAW products were mixed.

Table V-13

CWLDLP: Summary of weighted-average f.o.b. prices for products 1-5 from the United States and Japan

* * * * * * *

Price comparisons

As shown in table V-14, prices for CWLDDP imported from Japan were below those for U.S.-produced product in 23 of 26 instances; margins of underselling ranged from 3.7 to 38.9 percent. In the remaining 3 instances (all for LSAW product), prices for CWLDDP imported from Japan were between 4.3 to 23.4 percent above prices for the domestic product.

Table V-14

CWLDLP: Instances of underselling/overselling and the range and average of margins, January 2007-March 2013

Source	Underselling			Overselling		
	Number of instances	Range (*percent*)	Average margin (*percent*)	Number of instances	Range (*percent*)	Average margin (*percent*)
Product 1-ERW	2	***	***	0	---	---
Product 1-LSAW	1	***	***	0	---	---
Product 3-LSAW	7	***	***	1	***	***
Product 4-LSAW	11	***	***	2	***	***
Product 5-ERW	2	***	***	0	---	---
Total	23	3.7 to 38.9	22.2	3	4.3 to 23.4	14.0

Source: Compiled from data submitted in response to Commission questionnaires.

Japanese producers indicate that underselling during this period is not indicative of future injurious underselling due to several factors. They indicate that the underselling margins are overstated because most sales of imports from Japan tend to be sold to distributors while sales of U.S.-produced CWLDLP tends to be sold to end users. They also cite the sparse number of price comparisons with limited volumes and that most of the comparisons were early in the period.[4] Table V-15 presents price comparisons from the original investigations and the first review. In addition, 50 contracts for CWLDLP were reported by U.S. producers and importers in original investigations. In total, they involved 1.8 million short tons valued at $1.5 billion (in final bid values). More than *** of these were awarded to U.S. firms, *** percent to suppliers of Japanese imports.[5]

Table V-15

CWLDLP: Instances of underselling/overselling and the range and average of margins, by prior proceeding

	Underselling		Overselling	
	Number of instances	Range (*percent*)	Number of instances	Range (*percent*)
Original investigations	***	*** to ***	***	*** to ***
First review	26	*** to ***	5	*** to ***

Source: Compiled from data submitted in response to Commission questionnaires in prior proceedings.

[4] Japanese producers' prehearing brief, pp. 51-53. Hearing transcript, pp. 132-33 (Klett).

[5] *Certain Welded Large Diameter Line Pipe from Japan, Inv. No. 731-TA-919 (Final)*, USITC Publication 3464, November 2001, pp. V-16-18.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, Federal Register notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
77 FR 59897 October 1, 2012	*Initiation of Five-Year ("Sunset") Review*	http://www.gpo.gov/fdsys/pkg/FR-2012-10-01/pdf/2012-24099.pdf
77 FR 59973 October 1, 2012	*Certain Welded Large Diameter Line Pipe From Japan; Institution of a Five-Year Review Concerning the Antidumping Duty Order on Certain Welded Large Diameter Line Pipe From Japan*	http://www.gpo.gov/fdsys/pkg/FR-2012-10-01/pdf/2012-23793.pdf
78 FR 3916 January 17, 2013	*Certain Welded Large Diameter Line Pipe From Japan; Notice of Commission Determination To Conduct a Full Five-Year Review*	http://www.gpo.gov/fdsys/pkg/FR-2013-01-17/pdf/2013-00906.pdf
78 FR 12784 February 25, 2013	*Welded Large Diameter Line Pipe From Japan; Scheduling of a Full Five-Year Review Concerning the Antidumping Duty Order on Welded Large Diameter Line Pipe From Japan*	http://www.gpo.gov/fdsys/pkg/FR-2013-02-25/pdf/2013-04163.pdf
78 FR 10134 February 13, 2013	*Welded Large Diameter Line Pipe From Japan: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*	http://www.gpo.gov/fdsys/pkg/FR-2013-02-13/pdf/2013-03364.pdf

Note.–The press release announcing the Commission's determination concerning adequacy and the conduct of a full or expedited review can be found at http://usitc.gov/press_room/news_release/2013/er0104ll1.htm. A summary of the Commission's votes concerning adequacy and the conduct of a full or expedited review can be found at http://pubapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11531. The Commission's explanation of its determination can be found at http://pubapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11532.

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject: Welded Large Diameter Line Pipe from Japan

Inv. Nos.: 731-TA-919 (Second Review)

Date and Time: August 1, 2013 - 9:30 a.m.

Sessions were held in connection with this review in the Main Hearing Room (room 101), 500 E Street, SW, Washington, DC.

OPENING REMARKS:

In Support of Continuation (**Roger B. Schagrin**, Schagrin Associates)
In Opposition to Continuation (**David Hickerson**, Foley & Lardner LLP)

SESSION 1: SUPPORT DIRECT PRESENTATION (Open to Public)

In Support of the Continuation of the Antidumping Duty Order:

Schagrin Associates
Washington, DC
on behalf of

American Cast Iron Pipe Company ("ACIPCO")
Berg Steel Pipe
Dura-Bond Pipe LLC
Stupp Corporation
Welspun Tubular USA LLC

Jon Noland, Division Manager of Steel Pipe, ACIPCO

Mike O'Brien, Vice President of Sales, ACIPCO

Ron Williamson, Vice President, Distributor Products, Berg Steel Pipe

In Support of Continuation of the
Antidumping Duty Order (continued):

Wayne Norris, President, Dura-Bond Pipe LLC

Edward Scram, President, Stupp Corporation

Donald Bohach, Vice President of Sales and Marketing, Stupp Corporation

David Delie, President, Welspun Tubular LLC USA

Dr. Robert Scott, Economist, Economic Policy Institute

Roger B. Schagrin)
) -- OF COUNSEL
John W. Bohn)

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, DC
on behalf of

United States Steel Corporation

Jeffrey D. Johnson, Director of Standard and Line Pipe North America, U. S. Steel Tubular Products, United States Steel Corporation

Stephen P. Vaughn) -- OF COUNSEL

SESSION 2: OPPOSITION DIRECT PRESENTATION (Open to Public)

In Opposition of the Continuation of the
Antidumping Duty Order:

Foley & Lardner LLP
Washington, DC
on behalf of

JFE Steel Corporation
Nippon Steel
Sumitomo Metal Corporation

Atsuhito Takeuchi, Linepipe Section Manager, JFE Steel Corporation

In Opposition of the Continuation of the
Antidumping Duty Order (continued):

Kenji Nakayama, General Manager, Line Pipe Marketing Department, Oil Country Tubular Goods & Line Pipe Marketing Division, Pipe & Tube Unit, Nippon Steel & Sumitomo Metal Corporation

Daniel Klett, Economist, Capital Trade, Inc.

Yoko De Groot, Translator, TransPerfect

David Hickerson) -- OF COUNSEL

SESSION 3: OPPOSITION IN CAMERA PRESENTATION (Closed to Public)

SESSION 4: SUPPORT IN CAMERA PRESENTATION (Closed to Public)

REBUTTAL/CLOSING REMARKS:

In Support of Continuation of Order **(Roger B. Schagrin**, Schagrin Associates)
In Opposition to Continuation of Order **(David Hickerson**, Foley & Lardner LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
CWLDLP: Summary data concerning the U.S. market, 2007-12, January-March 2012, and January-March 2013
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data								Period changes						
	Calendar year						January to March		Calendar year						Jan-Mar
	2007	2008	2009	2010	2011	2012	2012	2013	2007-12	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
U.S. consumption quantity:															
Amount	2,575,655	2,798,201	1,532,985	1,763,724	1,504,156	1,588,332	484,758	357,193	(38.3)	8.6	(45.2)	15.1	(14.7)	5.6	(26.3)
Producers' share (1)	32.3	36.6	37.5	59.6	67.2	57.2	51.8	37.9	24.9	4.2	0.9	22.2	7.6	(10.1)	(13.9)
Importers' share (1):															
Japan	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All others sources	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total imports	67.7	63.4	62.5	40.4	32.8	42.8	48.2	62.1	(24.9)	(4.2)	(0.9)	(22.2)	(7.6)	10.1	13.9
U.S. consumption value:															
Amount	3,249,990	3,932,145	2,373,233	2,624,954	2,044,810	2,268,623	715,385	464,159	(30.2)	21.0	(39.6)	10.6	(22.1)	10.9	(35.1)
Producers' share (1)	32.4	38.2	38.4	61.2	70.9	55.3	49.3	37.2	22.9	5.8	0.1	22.8	9.6	(15.5)	(12.2)
Importers' share (1):															
Japan	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total imports	67.6	61.8	61.6	38.8	29.1	44.7	50.7	62.8	(22.9)	(5.8)	(0.1)	(22.8)	(9.6)	15.5	12.2
U.S. imports from:															
Japan:															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources:															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total imports:															
Quantity	1,743,090	1,774,983	958,438	711,823	492,690	680,039	233,488	221,754	(61.0)	1.8	(46.0)	(25.7)	(30.8)	38.0	(5.0)
Value	2,197,032	2,429,639	1,462,880	1,018,372	596,045	1,013,639	362,551	291,706	(53.9)	10.6	(39.8)	(30.4)	(41.5)	70.1	(19.5)
Unit value	1,260	1,369	1,526	1,431	1,210	1,491	1,553	1,315	18.3	8.6	11.5	(6.3)	(15.4)	23.2	(15.3)
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
U.S. producers':															
Average capacity quantity	2,009,374	2,089,813	2,981,639	3,060,619	3,156,264	3,286,271	812,785	887,158	63.5	4.0	42.7	2.6	3.1	4.1	9.2
Production quantity	869,953	1,081,380	620,885	1,096,689	1,132,088	1,215,399	256,660	308,437	39.7	24.3	(42.6)	76.6	3.2	7.4	20.2
Capacity utilization (1)	43.3	51.7	20.8	35.8	35.9	37.0	31.6	34.8	(6.3)	8.5	(30.9)	15.0	0.0	1.1	3.2
U.S. shipments:															
Quantity	832,565	1,023,218	574,547	1,051,901	1,011,466	908,293	251,270	135,439	9.1	22.9	(43.8)	83.1	(3.8)	(10.2)	(46.1)
Value	1,052,958	1,502,506	910,353	1,606,582	1,448,765	1,254,984	352,834	172,453	19.2	42.7	(39.4)	76.5	(9.8)	(13.4)	(51.1)
Unit value	1,265	1,468	1,584	1,527	1,432	1,382	1,404	1,273	9.2	16.1	7.9	(3.6)	(6.2)	(3.5)	(9.3)
Export shipments:															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	86,523	54,816	107,668	152,176	256,553	344,249	261,943	427,987	297.9	(36.6)	96.4	41.3	68.6	34.2	63.4
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Production workers	1,044	1,701	1,504	1,575	1,389	1,668	1,407	1,361	59.8	62.9	(11.6)	4.7	(11.8)	20.1	(3.3)
Hours worked (1,000s)	2,129	3,685	3,029	3,567	3,044	3,403	796	757	59.8	73.1	(17.8)	17.8	(14.7)	11.8	(4.9)
Wages paid ($1,000)	60,488	113,421	76,606	85,540	67,305	87,156	20,645	18,142	44.1	87.5	(32.5)	11.7	(21.3)	29.5	(12.1)
Productivity (1,000 short tons per hou	408.8	305.5	205.0	309.0	374.6	357.2	324.5	407.4	(12.6)	(25.3)	(32.9)	50.8	21.2	(4.7)	25.6
Unit labor costs	69	102	123	77	59	72	79	59	3.8	47.1	21.4	(37.5)	(24.0)	22.5	(25.9)
Net Sales:															
Quantity	878,107	1,123,111	518,022	953,011	1,028,235	1,182,305	251,271	224,684	34.6	27.9	(53.9)	84.0	7.9	15.0	(10.6)
Value	1,126,816	1,676,641	784,297	1,439,109	1,487,041	1,648,784	352,834	288,917	46.3	48.8	(53.2)	83.5	3.3	10.9	(18.1)
Unit value	1,283	1,493	1,514	1,510	1,446	1,395	1,404	1,286	8.7	16.3	1.4	(0.3)	(4.2)	(3.6)	(8.4)
Cost of goods sold (COGS)	966,709	1,401,062	763,130	1,205,060	1,288,000	1,420,466	314,107	256,229	46.9	44.9	(45.5)	57.9	6.9	10.3	(18.4)
Gross profit of (loss)	160,107	275,579	21,167	234,049	199,041	228,318	38,727	32,688	42.6	72.1	(92.3)	1,005.7	(15.0)	14.7	(15.6)
SG&A expenses	31,626	55,458	72,878	79,501	96,385	115,694	39,223	41,090	265.8	75.4	31.4	9.1	21.2	20.0	4.8
Operating income or (loss)	128,481	220,121	(51,711)	154,548	102,656	112,624	(496)	(8,402)	(12.3)	71.3	(2)	(2)	(33.6)	9.7	(1,594.0)
Capital expenditures	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit COGS	1,101	1,247	1,473	1,264	1,253	1,201	1,250	1,140	9.1	13.3	18.1	(14.2)	(0.9)	(4.1)	(8.8)
Unit SG&A expenses	36	49	141	83	94	98	156	183	171.7	37.1	184.9	(40.7)	12.4	4.4	17.2
Unit operating income or (loss)	146	196	(100)	162	100	95	(2)	(37)	(34.9)	34.0	(2)	(2)	(38.4)	(4.6)	(1,794.4)
COGS/sales (1)	85.8	83.6	97.3	83.7	86.6	86.2	89.0	88.7	0.4	(2.2)	13.7	(13.6)	2.9	(0.5)	(0.3)
Operating income or (loss)/sales (fn1)	11.4	13.1	(6.6)	10.7	6.9	6.8	(0.1)	(2.9)	(4.6)	1.7	(2)	(2)	(3.8)	(0.1)	(2.8)

(1) Report data are in percent and period changes are in percentage points.
(2) Undefined.

Source: Compiled from responses to questionnaires and from official statistics of the U.S. Department of Commerce, adjusted for excluded line pipe.

APPENDIX D

RESPONSES OF U.S. PRODUCERS, U.S. IMPORTERS, U.S. PURCHASERS, AND FOREIGN PRODUCERS CONCERNING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

U.S. PRODUCERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission asked U.S. producers whether they anticipate any changes in the character of their operations or organization (e.g., plant openings, plant closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns or production curtailments, revised labor agreements, private sales of business unit, division, or more than 5% of the firm's equity, public offerings of firm stock, and technology) relating to the production of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-4). The following are quotations from the responses of U.S. producers.

* * * * * * *

The Commission requested U.S. producers to describe the significance of the existing antidumping duty order covering imports of CWLDLP from Japan in terms of its effect on their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values (question II-17). The following are quotations from the responses of U.S. producers.

* * * * * * *

The Commission asked U.S. producers whether they anticipated any changes in their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-18). The following are quotations from the responses of U.S. producers.

* * * * * * *

U.S. IMPORTERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission asked U.S. importers whether they anticipate any changes in the character of their operations or organization (e.g., office/warehouse openings, office/warehouse closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns, revised labor agreements, private sales of business unit, division, or more than 5% of the firm's equity, public offerings of firm stock, and technology) relating to the importation of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-4). The following are quotations from the responses of U.S. importers.

* * * * * * *

The Commission requested U.S. importers to describe the significance of the existing antidumping duty order on CWLDLP from Japan in terms of its effect on their imports, U.S. shipments of imports, and inventories (question II-16). The following are quotations from the responses of importers.

* * * * * * *

The Commission asked U.S. importers whether they anticipated any changes in their imports, U.S. shipments of imports, or inventories of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-17). The following are quotations from the responses of U.S. importers.

* * * * * * *

U.S. PURCHASERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission requested U.S. purchasers to describe the likely effects of any revocation of the antidumping duty order on imports of CWLDLP from Japan on the future activities of their firm (question III-31 (1)). The following are quotations from the responses of U.S. purchasers.

* * * * * * *

The Commission requested U.S. purchasers to describe the likely effects of any revocation of the antidumping duty order on imports of CWLDLP from Japan on the U.S. market as a whole (question III-31 (2)). The following are quotations from the responses of U.S. purchasers.

* * * * * * *

FOREIGN PRODUCERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDER AND THE LIKELY EFFECTS OF REVOCATION

The Commission asked Japanese producers whether they anticipate any changes in the character of their operations or organization (e.g., office/warehouse openings, office/warehouse closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns, revised labor agreements, private sales of business unit, division, or more than 5% of the firm's equity, public offerings of firm stock, and technology) relating to the production of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-3). The following are quotations from the responses of Japanese producers.

* * * * * * *

The Commission requested Japanese producers to describe the significance of the existing antidumping duty order on CWLDLP from Japan in terms of its effect on their capacity, production, home market shipments, exports to the United States and other markets, and inventories (question II-11). The following are quotations from the responses of Japanese producers.

* * * * * * *

The Commission asked Japanese producers whether they anticipated any changes in terms of the effect on their capacity, production, home market shipments, exports to the United States and other markets, and inventories imports, U.S. shipments of imports, or inventories of CWLDLP in the future if the antidumping duty order on CWLDLP from Japan were to be revoked (question II-12). The following are quotations from the responses of Japanese producers.

* * * * * * *