

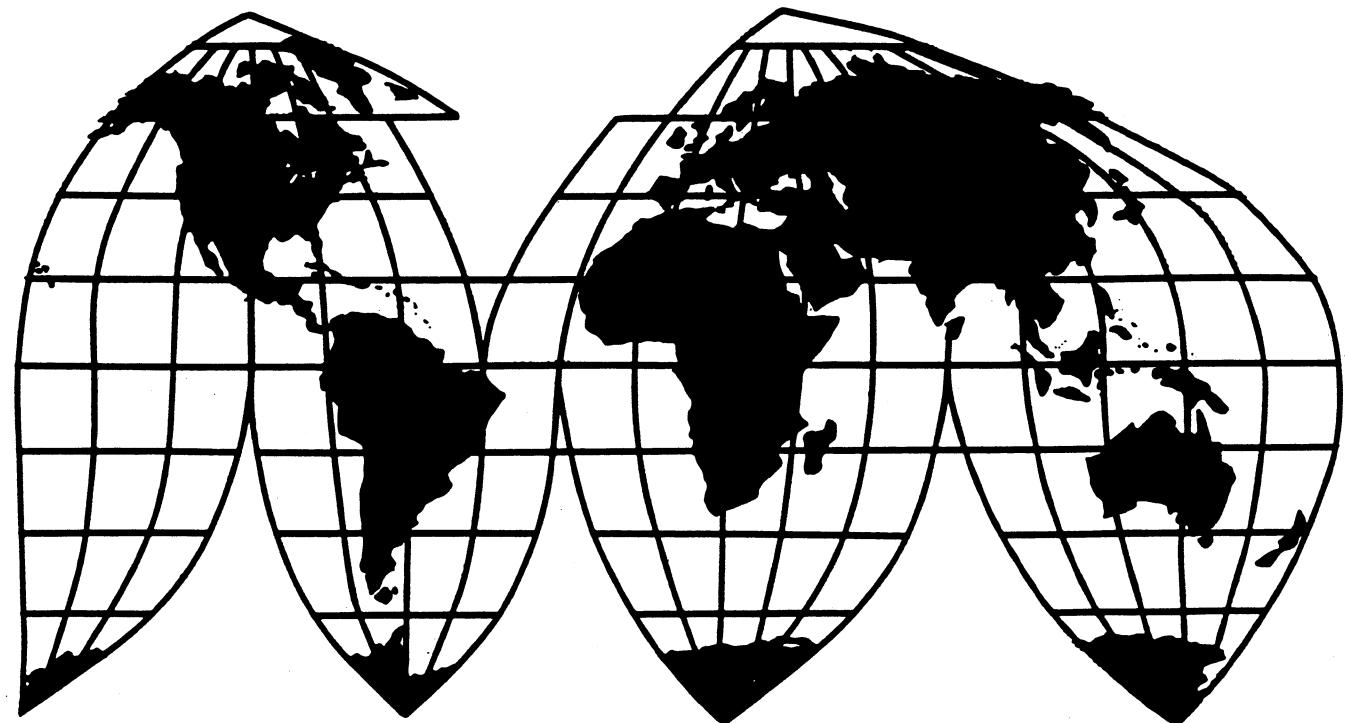
# **Circular Welded Non-Alloy Steel Pipe from Romania and South Africa**

Investigations Nos. 731-TA-732 through 733 (Preliminary)

Publication 2899

June 1995

**U.S. International Trade Commission**



# **U.S. International Trade Commission**

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# **U.S. International Trade Commission**

Washington, DC 20436

## **Circular Welded Non-Alloy Steel Pipe from Romania and South Africa**



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

## GLOSSARY OF ABBREVIATIONS

AISI . . . . .	American Iron and Steel Institute
Allied Tube . . . . .	Allied Tube & Conduit
American Tube . . . . .	American Tube Co.
API . . . . .	American Petroleum Institute
Armco/Sawhill . . . . .	Armco Inc./Sawhill Tubular Division
ASME . . . . .	American Society of Mechanical Engineers
ASOMA . . . . .	ASOMA Corp.
ASTM . . . . .	American Society for Testing and Materials
Blair Steel . . . . .	Blair Steel Co.
Brollo . . . . .	Brollo Africa
Bull Moose . . . . .	Bull Moose Tube Co.
CAAA . . . . .	Comprehensive Anti-Apartheid Act of 1986
California Steel . . . . .	California Steel Industries
Century Tube . . . . .	Century Tube Co.
COGS . . . . .	Cost of goods sold
Commerce . . . . .	U.S. Department of Commerce
Commission . . . . .	U.S. International Trade Commission
Customs . . . . .	U.S. Customs Service
CW . . . . .	Continuous welding
ERW . . . . .	Electric resistance welding
EU . . . . .	European Union
Ferrostaal . . . . .	Ferrostaal Inc.
Ferro Union . . . . .	Ferro Union Inc.
Gulf & Northern . . . . .	Gulf & Northern Trading
HTS . . . . .	Harmonized Tariff Schedule
IPSCO . . . . .	IPSCO Tubulars, Inc.
Jermax . . . . .	Jermax, Inc. d/b/a Gulf & Northern Trading
Laclede Steel . . . . .	Laclede Steel Co.
LTV Steel . . . . .	LTV Steel Tubular Products Co.
LTFV . . . . .	Less than fair value
Maruichi . . . . .	Maruichi American Corp.
Maurice Pincoffs . . . . .	Maurice Pincoffs Co., Inc.
Maverick Tube . . . . .	Maverick Tube Corp.
MFN . . . . .	Most-favored-nation
MSA . . . . .	Multilateral Steel Agreement
Newco . . . . .	Newco Steel Trading Inc.
North Shore . . . . .	North Shore Supply Co.
Northwest . . . . .	Northwest Pipe & Casing
NPS . . . . .	Nominal pipe size
OCTG . . . . .	Oil country tubular goods
Omega . . . . .	Omega Tube & Conduit Corp.
Paragon . . . . .	Paragon Industries
Preussag . . . . .	Preussag International Corp.
Primary Steel . . . . .	Primary Steel Inc.
PRW . . . . .	Production and related worker
RDP . . . . .	Reconstruction and Development Program
RIH Group . . . . .	RIH Group (Pty) Ltd.
SG&A . . . . .	Selling, general, and administrative expenses

Sharon Tube . . . . .	Sharon Tube Co.
Standard pipe . . . . .	Circular welded non-alloy steel pipe
Tepro . . . . .	Tepro SA
Thyssen . . . . .	Thyssen, Inc.
TradeARBED . . . . .	TradeARBED, Inc.
United Tube . . . . .	United Tube Corp.
USS/Kobe . . . . .	USS/Kobe Steel Co.
USX . . . . .	USX Corp., U.S. Steel Group
Venable . . . . .	Venable, Baetjer, Howard & Civiletti
VRA . . . . .	Voluntary Restraint Agreement
Welded Tube/Eagle . . . . .	Welded Tube Co./Eagle Tube Division
Western Tube . . . . .	Western Tube & Conduit Corp.
Wheatland Tube . . . . .	Wheatland Tube Co.



**PART I**  
**DETERMINATIONS AND VIEWS OF THE COMMISSION**



UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-732-733 (Preliminary)

CIRCULAR WELDED NON-ALLOY STEEL PIPE FROM ROMANIA AND SOUTH AFRICA

Determinations

On the basis of the record<sup>1</sup> developed in the subject investigations, the Commission determines,<sup>2</sup> pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Romania and South Africa of circular welded non-alloy steel pipe, provided for in subheadings 7306.30.10 and 7306.30.50 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On April 26, 1995, petitions were filed with the Commission and the Department of Commerce by Allied Tube, Harvey, IL; Armco/Sawhill, Sharon, PA; LTV Steel, Youngstown, OH; Sharon Tube, Sharon, PA; Laclede Steel, St. Louis, MO; Wheatland Tube, Collingswood, NJ; and Century Tube, Pine Bluff, AR, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of circular welded non-alloy steel pipe from Romania and South Africa. Accordingly, effective April 26, 1995, the Commission instituted antidumping investigations Nos. 731-TA-732-733 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of May 3, 1995 (60 F.R. 21828). The conference was held in Washington, DC, on May 17, 1995, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

<sup>2</sup> Chairman Watson and Commissioner Crawford dissenting.



## VIEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we find that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of circular welded non-alloy steel pipe from Romania and South Africa that are allegedly sold in the United States at less than fair value ("LTFV").<sup>3</sup> <sup>4</sup>

### I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports.<sup>5</sup> In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."<sup>6</sup>

### II. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."<sup>7</sup> Section 771(4)(A) of the Act defines the relevant industry as the "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 that product."<sup>8</sup> In turn, the Act defines "domestic like product" as: "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."<sup>9</sup>

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in

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<sup>3</sup> These investigations are subject to the Uruguay Round Agreements Act ("URAA") amendments to the Tariff Act of 1930 ("the Act"). P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, amending sections 701-783 of the Trade Act of 1930, 19 U.S.C. §§ 1671-1677n.

Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

<sup>4</sup> Chairman Watson and Commissioner Crawford determine that there is no reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of imports of circular welded non-alloy steel pipe from Romania and South Africa that are allegedly sold in the United States at LTFV. See Dissenting Views of Chairman Watson and Commissioner Crawford. They join sections I-V of these views.

<sup>5</sup> 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1002 (Fed. Cir. 1986); Calabrian Corp. v. USITC, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

<sup>6</sup> American Lamb Co. v. United States, 785 F.2d at 1001; see also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993).

<sup>7</sup> 19 U.S.C. § 1677(4)(A).

<sup>8</sup> 19 U.S.C. § 1677(4)(A).

<sup>9</sup> 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.<sup>10</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>11</sup>

The imported merchandise subject to investigation is circular welded non-alloy steel pipe, also known as "standard pipe," from Romania and South Africa. In its notice of initiation, the Department of Commerce (Commerce) provided a detailed delineation of the imported merchandise that is and is not subject to investigation.<sup>12</sup>

Standard pipe has been the subject of several previous Commission antidumping and countervailing duty investigations. In each of these investigations, the Commission determined that standard pipe was a single like product.<sup>13</sup> Petitioners contend that the Commission should reach the same result here. Respondents have not argued that the Commission should find anything other than a single domestic like product in these preliminary investigations.

Based on the record in the instant investigations, we determine that there is a single domestic like product consisting of the set of standard pipe products corresponding to those within Commerce's scope determination. Commerce's scope determination defines the subject merchandise in terms of a set of common "actual and intended" end-uses. Standard pipe is generally used for low-pressure conveyance of liquids or gases in plumbing, ventilation, or sprinkler systems, or for light load-bearing applications.<sup>14</sup> Additionally, U.S.-produced

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<sup>10</sup> See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. Calabrian, 794 F. Supp. at 382 n.4; Torrington, 747 F. Supp. at 749. No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. E.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

<sup>11</sup> Torrington, 747 F. Supp. at 748-49.

<sup>12</sup> 60 Fed. Reg. 27078, 27078-79 (May 22, 1995). Essentially, the merchandise within the scope of investigation includes all pipes and tubes, of circular cross-section, not more than 406.44 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, bevelled end, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other) used in, or intended for use in, standard or structural pipe applications. These applications are defined to include the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in such uses as plumbing, heating, air conditioning, and sprinkler systems, load-bearing applications in fencing systems, and shells used for the production of finished conduit and scaffolding. Products excluded from the scope include line pipe for oil and gas pipelines, mechanical tubing, tube or pipe hollows for redrawing, finished electrical conduit, finished scaffolding, and oil country tubular goods (OCTG). Pipe certified for use as line pipe or OCTG and also certified for use in standard pipe applications is, however, within the scope if "used or intended for use" in a standard pipe application.

<sup>13</sup> E.g., Certain Welded Carbon Steel Pipes and Tubes from Thailand and Venezuela, Inv. Nos. 701-TA-242, 731-TA-252-253 (Preliminary), USITC Pub. 1680 at 7-8 (April 1985); Certain Circular, Welded, Non-Alloy Steel Pipes and Tubes from Brazil, the Republic of Korea, Mexico, Romania, Taiwan, and Venezuela, Inv. Nos. 701-TA-311, 731-TA-532-537 (Preliminary), USITC Pub. 2454 at 7 (Nov. 1991); Certain Circular, Welded, Non-Alloy Steel Pipes and Tubes from Brazil, the Republic of Korea, Mexico, Romania, Taiwan, and Venezuela; Inv. Nos. 731-TA-532-537 (Final), USITC Pub. 2564 at 7, 10-17 (Oct. 1992) (three like products, one of which was standard pipe; the other two like products related to products corresponding to ones within the scope of those investigations which Commerce has expressly excluded from the scope of the instant investigations).

<sup>14</sup> Confidential Report (CR) at I-7, Public Report (PR) at II-6.

standard pipe is commonly produced to specifications of the American Society for Testing and Materials (ASTM). These specifications are particular to standard pipe, while other types of pipe are commonly used for different purposes and produced to different sets of specifications.<sup>15</sup>

There is limited interchangeability between standard pipe and other types of pipe.<sup>16</sup> Some standard pipe is "dual-stencilled," meaning that it satisfies multiple ASTM specifications or both ASTM specifications for standard pipe and American Petroleum Institute (API) specifications for other uses such as line pipe applications. Petitioners estimate, however, that such pipe constitutes only about 15 percent of the standard pipe market.<sup>17</sup> Within the category of standard pipe, product is generally interchangeable to the extent it satisfies ASTM standards.<sup>18</sup>

Channels of distribution for various types of standard pipe are the same. The vast majority of U.S. producer shipments is made through distributors, with the remainder sold directly to end users.<sup>19</sup>

"Standard pipe" is perceived by several organizations that categorize tubular products as a single product type. These organizations also perceive "standard pipe" to be a distinct product from other types of pipe such as line pipe or oil country tubular goods.<sup>20</sup>

Various types of standard pipe are produced at the same facilities using the same equipment.<sup>21</sup> This equipment can also be used to produce other types of pipe.<sup>22</sup>

On the basis of the foregoing, we determine that there is a single domestic like product in these investigations, consisting of the set of standard pipe products corresponding

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<sup>15</sup> See, e.g., CR at I-8 n.15, PR at II-6-7; Tr. at 59 (Feeney), 87 (Pfautz).

<sup>16</sup> Commissioner Crawford does not characterize the interchangeability between standard pipe and other types of pipe as limited. As discussed below, petitioners estimate that other types of pipe constitute about 15 percent of the standard pipe market. As such, in 1994 these other types of pipe accounted for over \$170 million of apparent consumption, a rather large amount. In any final investigations, Commissioner Crawford requests the parties to provide analysis and argument as to whether this degree of interchangeability is sufficient to include the other types of pipe in the same like product with standard pipe.

<sup>17</sup> Tr. at 60 (Schagrin).

<sup>18</sup> CR at I-10, PR at II-7; see Tr. at 32-33 (Pfautz).

<sup>19</sup> CR at I-15, PR at II-9-10.

<sup>20</sup> CR at I-7 n.9; PR at II-6.

<sup>21</sup> See CR at I-9-10; PR at II-7.

<sup>22</sup> CR at I-10, PR at II-7.

to those within Commerce's scope determination.<sup>23</sup> We further find one domestic industry, consisting of all producers of the domestic like product.

### III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>24</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>25</sup>

We note certain conditions of competition pertinent to our analysis of the domestic standard pipe industry. Standard pipe is used predominantly in construction, so increases in construction activity will serve to increase demand for standard pipe.<sup>26 27</sup> Indeed, during the period examined by the Commission in these investigations, there was an increase in apparent domestic consumption of standard pipe coincident with increases in non-residential construction and the home remodeling and light residential remodeling businesses.<sup>28</sup> Apparent domestic consumption increased substantially from 1992 to 1994.<sup>29</sup>

None of the parties, however, has meaningfully addressed in these preliminary investigations the nature of the business cycle in the standard pipe industry. In any final investigations, we will seek further information concerning the duration of the business cycle, its historic peaks and troughs, the point in the cycle where the domestic industry stands currently, and the manner in which the business cycle affects the domestic industry's operating performance.

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<sup>23</sup> For purposes of these preliminary investigations, Commissioner Crawford has given petitioners the benefit of the doubt and based her determinations on the like product asserted by petitioners, that is, the set of standard pipe products corresponding to those within Commerce's scope. In addition to standard pipe, Commerce has included other types of pipe, such as line pipe, if these other types of pipe are "used in or intended for use in" standard pipe applications. Thus, Commerce has blurred the distinction between standard pipe and other types of pipe by virtue of its scope definition. Petitioners apparently agree that line pipe and other types of pipe that are used as or intended for use as standard pipe should be included with standard pipe in the same like product. However, none of the parties has addressed whether other types of pipe that can be used as standard pipe (e.g. line pipe) should be included in the like product, whether or not those types are actually used or intended for use as standard pipe. In any final investigations, Commissioner Crawford requests the parties to address this issue. In addition, Commissioner Crawford requests the parties to address the issue of what data are appropriate to analyze in the event that Commerce's scope definition continues to include products used as or intended for use as standard pipe.

<sup>24</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>25</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>26</sup> See Petition, vol. II at 1-2.

<sup>27</sup> Vice Chairman Nuzum and Commissioner Rohr note that construction demand has a strong regional component and that it will be useful in any final investigations to examine the regional component of this condition of competition, particularly with respect to the markets where the subject imports are present.

<sup>28</sup> CR at I-16, PR at II-10.

<sup>29</sup> Table A-2, CR at A-6, PR at A-6.

Domestic producers' U.S. shipments increased throughout the period examined by the Commission in these investigations. Measured by quantity, U.S. shipments increased from 1.17 million short tons in 1992 to 1.24 million short tons in 1993 and to 1.36 million short tons in 1994. Measured by value, U.S. shipments increased from \$675 million in 1992 to \$736 million in 1993 and to \$853 million in 1994.<sup>30</sup> The domestic industry's production increased by virtually the same amount as U.S. shipments from 1992 to 1994, increasing from 1.19 million short tons in 1992 to 1.26 million short tons in 1993 and to 1.38 million short tons in 1994.<sup>31</sup>

U.S. producers' average-of-period capacity declined from 1.76 million short tons in 1992 to 1.74 million short tons in 1993 and then rose to 1.77 million short tons in 1994. Average-of-period capacity utilization increased from 57.0 percent in 1992 to 61.5 percent in 1993 and to 65.4 percent in 1994.<sup>32</sup>

Inventory levels fluctuated within a narrow range. End-of-period inventories declined from 170,020 short tons in 1992 to 167,370 short tons in 1993, and then increased to 168,260 short tons in 1994. The ratio of inventories to both production and shipments, however, declined throughout the period of investigation.<sup>33</sup>

The number of production and related workers increased from 2,045 in 1992 to 2,142 in 1993 and 2,638 in 1994. The hours worked by and total compensation paid to such workers also increased each year from 1992 to 1994. Hourly total compensation, however, declined irregularly from 1992 to 1994.<sup>34</sup>

The increases in production and sales by the domestic industry were not matched by increased profits. Gross profits declined from \$93.6 million in 1992 to \$89.5 million in 1993, and then increased to \$93.3 million in 1994. Operating income declined from \$42.3 million in 1992 to \$39.5 million in 1993, and then increased to \$41.5 million in 1994. Profits did not increase from 1992 to 1994 largely because of increases in the domestic industry's costs of goods sold (COGS), relative to net sales. On a per-ton basis, costs of goods sold rose from \$495.60 in 1992 to \$554.45 in 1994. This exceeded the increase in average unit sales value from 1992 to 1994 by \$12.05 per ton. Primarily because COGS increased at a greater rate than net sales, profitability margins fell from 1992 to 1994. The ratio of gross profit to net sales declined from 13.8 percent in 1992 to 12.1 percent in 1993 and 10.9 percent in 1994, and the ratio of operating income to net sales declined from 6.3 percent in 1992 to 5.3 percent in 1993 and to 4.8 percent in 1994.<sup>35</sup>

Standard pipe producers' capital expenses declined from \$42.0 million in 1992 to \$27.1 million in 1993 and to \$15.7 million in 1994.<sup>36</sup> Research and development expenditures increased from 1992 to 1994, but such expenditures were incurred only by a minority of industry participants.<sup>37 38 39</sup>

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<sup>30</sup> Table 5, CR at I-26, PR at II-17.

<sup>31</sup> Table 4, CR at I-24, PR at II-17.

<sup>32</sup> Table 4, CR at I-24, PR at II-16.

<sup>33</sup> Table 6, CR at I-26, PR at II-17.

<sup>34</sup> Table 7, CR at I-28, PR at II-19.

<sup>35</sup> Table 8, CR at I-30-31, PR at II-20-21.

<sup>36</sup> Table 12, CR at I-40, PR at II-25. In any final investigations, we will seek to obtain further information concerning the reasons for this decline.

<sup>37</sup> Table 12, CR at I-40, PR at II-25.

<sup>38</sup> Based on the foregoing, Commissioner Rohr determines that there is a reasonable indication that the domestic industry is experiencing material injury.

#### IV. NEGLIGIBLE IMPORTS

The URAA amended the statutory provisions pertaining to preliminary antidumping duty determinations to require that investigations terminate by operation of law without an injury determination if the subject imports are negligible.<sup>40</sup> In these investigations, negligibility has been raised as an issue only with respect to subject imports from Romania.<sup>41</sup>

The provision defining "negligibility" provides that imports from a subject country that are less than 3 percent of the volume of all merchandise corresponding to the domestic like product imported into the United States shall be deemed negligible.<sup>42</sup> Whether the 3 percent threshold has been reached is to be evaluated based on the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition.

The most recent 12-month period preceding the filing of the petition for which import data are available is the period April 1994-March 1995. These data are based on official import statistics compiled by the Department of Commerce.<sup>43</sup> For this 12 month period, imports from Romania accounted for 3.9 percent of total imports.<sup>44</sup> This is above the 3 percent statutory threshold. Accordingly, we determine that imports from Romania are not negligible.

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<sup>39</sup> (...continued)

<sup>39</sup> Based on the foregoing, Commissioner Newquist determines that there is a reasonable indication that the domestic industry is not experiencing material injury, but is vulnerable to the continuing adverse effects of LTFV imports. He therefore proceeds directly to an analysis of the question of threat of material injury, which is addressed in section VII of these views.

<sup>40</sup> 19 U.S.C. § 1673b(a). The Statement of Administrative Action (SAA) indicates that the standard for negligibility determinations in preliminary investigations shall be the same as the standard upheld in American Lamb, and that the Commission is to determine whether there is a "reasonable indication" that imports are not negligible. Accordingly, under that standard, the Commission examines whether the record as a whole contains clear and convincing evidence that imports are negligible and whether no likelihood exists that contrary evidence will arise in a final investigation. American Lamb, 785 F.2d at 1001. See SAA, H.R. Doc. 316, 103d Cong., 2d Sess., Vol. 1 at 857. See also Polyvinyl Alcohol from China, Japan, Korea, and Taiwan, Inv. Nos. 731-TA-726-729 (Preliminary), USITC Pub. 2883 at I-16 (April 1995).

<sup>41</sup> Based on official statistics for the 12 months from April 1994 to March 1995, imports from South Africa constituted 5.0 percent of all imports corresponding to the domestic like product. CR at I-47 n.73, PR at II-28. This is above the 3 percent statutory threshold for negligibility.

<sup>42</sup> 19 U.S.C. § 1677(24).

<sup>43</sup> Petitioners contend that official import statistics should be adjusted to exclude imports from Canada of merchandise outside the scope of these investigations that are included in the official import statistics. The statute does allow the Commission to make "reasonable estimates on the basis of available statistics" of import levels for purposes of making negligibility determinations. We have used official import statistics for determining negligibility because a more reasonable estimate based on adjusted data was not available for the first quarter of 1995. Moreover, because adjusting the official import statistics would merely serve to increase the percentage that imports from Romania constitute of total imports corresponding to the domestic like product, use of adjusted data would also show that imports from Romania are not negligible.

<sup>44</sup> CR at I-47 n.73, PR at II-28.

## V. CUMULATION

Section 771(7)(G)(i) provides the general rule for cumulation for determining material injury.<sup>45</sup> This provision requires the Commission to cumulate imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.

In assessing whether imports compete with each other and with the domestic like product,<sup>46</sup> the Commission generally has considered four factors, including:

- (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality-related questions;
- (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.<sup>47</sup>

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.<sup>48</sup> Only a "reasonable overlap" of competition is required.<sup>49</sup> Thus, even if a certain volume of subject imports from a country are of a type or specification not produced by the domestic industry, imports from that country will be cumulated if the remaining imports collectively do compete with the domestic like product (and with other imports).<sup>50</sup>

Petitioners contend that the subject imports should be cumulated. Respondents disagree, arguing that the subject imports from Romania do not satisfy the competition requirement because they are not fungible with either subject imports from South Africa or

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<sup>45</sup> The URAA relocated the provisions concerning cumulation to new Sections 771(7)(G) and 771(7)(H), 19 U.S.C. §§ 1677(7)(G) and (H). New Section 771(7)(G) concerns cumulation for determining material injury; new Section 771(7)(H) concerns cumulation for determining threat of material injury.

<sup>46</sup> The SAA expressly states that "[t]he new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade), aff'd 859 F.2d 915 (Fed. Cir. 1988)).

<sup>47</sup> See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 at 8 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

<sup>48</sup> See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50, 52 (Ct. Int'l Trade 1989).

<sup>49</sup> See Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685-86 (Ct. Int'l Trade 1994).

<sup>50</sup> See Sandvik AB v. United States, 721 F. Supp. 1322, 1332-33 (Ct. Int'l Trade 1989), aff'd, 904 F.2d 46 (Fed. Cir. 1990).

domestically-produced standard pipe and that the subject imports and domestically-produced standard pipe are sold in distinct geographic markets.

With respect to the issue of fungibility, the record indicates that the domestic like product and subject imports from Romania and South Africa can all be used for the same applications. All U.S. producers identified the subject imports as either fully or generally interchangeable with domestic standard pipe.<sup>51</sup> Four out of six importers reported Romanian standard pipe to be fully or generally interchangeable with the domestic product.<sup>52</sup> Additionally, all importers reported that standard pipe from South Africa is at least generally interchangeable with the domestic product.<sup>53</sup> One distributor that sells standard pipe from both Romania and South Africa told Commission staff that pipe from both countries is generally fungible, insofar as it satisfies ASTM standards, and that it inventories pipe from both subject countries along with other imports.<sup>54</sup> Both this distributor and a second distributor that carried Romanian standard pipe stated that the product generally met ASTM certification standards.<sup>55</sup> The South Africa respondents acknowledge that standard pipe from South Africa meets or exceeds ASTM certification standards.<sup>56</sup> Other information in the record indicates overlap in end-uses: domestic, Romanian, and South African pipe are each used for water and gas applications.<sup>57</sup> The producers and importers surveyed by the Commission showed less consensus as to comparability of the quality of the subject imports and domestically-produced standard pipe than as to interchangeability.<sup>58</sup> Nevertheless, the quality differences cited did not rise to a level to persuade us of a lack of overall fungibility. Hence, for purposes of these preliminary determinations, we find that subject imports from Romania and South Africa are generally fungible with each other and with the domestic like product.<sup>59</sup>

The record also does not support respondents' contentions that the subject imports are sold in geographically distinct markets from the domestic like product. They contend that

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<sup>51</sup> CR at I-10-11, PR at II-7. One producer that identified the subject imports and domestic like product as generally interchangeable stated that the subject imports could not be used in some applications that constituted a small portion of the total U.S. market. CR at I-11, PR at II-8.

<sup>52</sup> CR at I-11, PR at II-8.

<sup>53</sup> CR at I-11-12, PR at II-8.

<sup>54</sup> CR at I-13, PR at II-8-9. Another distributor that stocks standard pipe from Romania also indicated that it was fungible with, and was inventoried alongside, nonsubject imports. *Id.*

<sup>55</sup> CR at I-13, PR at II-9. We find the distributors' perceptions as to this issue more probative than the contrary testimony presented at the conference by an importer of standard pipe from Romania, because the distributors directly sell to end users and reflect the perceptions of numerous end users.

<sup>56</sup> South Africa Respondents' Postconference Brief at 11.

<sup>57</sup> See Tr. at 108-09 (Evans); CR at I-13, PR at II-8-9; Petitioners' Postconference Brief, ex. 14. In any final investigations, we will seek further information from purchasers concerning the end uses of domestically-produced standard pipe and the subject imports.

<sup>58</sup> See CR at I-11, PR at II-9.

<sup>59</sup> We did not cumulate imports of standard pipe from Romania in our prior investigation of Circular, Welded, Non-Alloy Steel Pipes and Tubes from Brazil, the Republic of Korea, Mexico, Romania, Taiwan, and Venezuela, Inv. Nos. 731-TA-532-537 (Final), USITC Pub. 2564 (Oct. 1992). While prior determinations are not dispositive of issues in the instant investigations, see, e.g., Stalexport v. United States, slip op. 95-96 at 51 (Ct. Int'l Trade May 23, 1995), we note that in the prior investigations the Commission in fact found that standard pipe from Romania satisfied the competition requirement for cumulation notwithstanding quality differences. The Commission, however, did not cumulate these imports because it determined that they were negligible under the law applicable to those investigations.

domestically-produced standard pipe is principally sold in the Northeast and Midwest regions where the majority of the petitioners are located. Respondents acknowledge that subject imports from both Romania and South Africa are present in the same markets in the Gulf and Southeast regions.<sup>60</sup> Most domestic producers indicated in their questionnaire responses that they sell standard pipe nationwide, and all but one indicated that they shipped product over 500 miles.<sup>61</sup> The record therefore does not support the proposition advanced by respondents that domestic producers sell standard pipe only in the regions where they produce it. Instead, the nationwide sales of most domestic producers indicates that the domestic like product and the subject imports are present in the same geographic markets.<sup>62</sup>

Not only are the subject imports and domestic like product both predominantly sold by distributors, but many of the same distributors that purchase standard pipe from U.S. producers also purchase it from importers.<sup>63</sup> The subject imports were simultaneously present in the market throughout most of the period of investigation.<sup>64</sup>

The record in these investigations indicates that the subject imports are generally fungible with each other and the domestic like product, are sold in the same geographic areas through similar channels of distribution, and have been simultaneously present in the market. This supports a finding of a reasonable overlap of competition.<sup>65</sup> Accordingly, we have determined to cumulate subject imports from Romania and South Africa.

## VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS<sup>66</sup> <sup>67</sup>

In preliminary antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation. In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of

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<sup>60</sup> See Tr. at 106, 162 (Evans); Romania Respondents' Postconference Brief at 16.

<sup>61</sup> CR at I-55, PR at II-33.

<sup>62</sup> For example, one petitioning firm maintains a sales office in Houston, where a substantial volume of standard pipe imports from both subject countries is entered. See Petitioners' Postconference Brief, ex. 13; Petition, vol. II, ex. 3.

<sup>63</sup> CR at I-13, I-15; PR at II-9-10.

<sup>64</sup> Table 15, CR at I-48, PR at II-29.

<sup>65</sup> Chairman Watson and Commissioner Crawford find that evidence on the record concerning quality disadvantages associated with Romanian standard pipe imports likely affects the degree of fungibility between Romanian imports, South African imports, and the domestic like product. Moreover, they take note of respondents' arguments that the subject imports are sold in geographically distinct markets. In these preliminary investigations, they give petitioners the benefit of the doubt and cumulate imports from the two countries. In any final investigations, Chairman Watson and Commissioner Crawford will seek further information on the fungibility of Romanian and South African subject imports, as well as information on the geographic distribution of sales and offers to sell subject imports and the domestically-produced product in the United States.

<sup>66</sup> Chairman Watson and Commissioner Crawford have made negative determinations and do not join the remainder of this opinion. See their Dissenting Views.

<sup>67</sup> Commissioner Bragg has determined that there is no reasonable indication of material injury by reason of the subject imports. She does not join this section of the opinion. See Additional Views of Commissioner Bragg.

U.S. production operations.<sup>68</sup> <sup>69</sup> Although the Commission may consider causes of injury to the industry other than the allegedly LTFV imports, it is not to weigh causes.<sup>70</sup> <sup>71</sup>

As we stated in section I, we can make a negative material injury determination in a preliminary antidumping investigation only if we find, *inter alia*, the record as a whole contains clear and convincing evidence that there is no material injury. Because the record in these investigations does not in our view support such a finding, we have made affirmative material injury determinations.

The volume of cumulated subject imports more than tripled during the period of investigation. The quantity of subject imports increased from 17,854 short tons in 1992 to 61,823 short tons in 1994. During the first quarter of 1995, subject import quantity was 20,457 short tons, compared to 10,542 short tons during the first quarter of 1994. The value of subject imports increased from \$7.7 million in 1992 to \$27.1 million in 1994. First quarter 1995 subject import value was \$8.7 million, as compared to \$4.6 million during the first quarter of 1994.<sup>72</sup>

The increase in subject import volumes outstripped the increases in apparent domestic consumption. The most accurate data concerning market penetration available in these preliminary investigations indicates that subject import market penetration increased nearly threefold from 1992 to 1994.<sup>73</sup> Measured by quantity, subject import penetration increased

<sup>68</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

<sup>69</sup> As part of its consideration of the impact of imports, the statute as amended by the URAA now also specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850.

The statute defines the "magnitude of the margin of dumping" to be used by the Commission in a preliminary determination as "the dumping margin or margins published by the administering authority [Commerce] in its notice of initiation of the investigation." 19 U.S.C. § 1677(35)(C). The calculated dumping margins identified by Commerce in its notice of initiation are 39.58 percent for Romania and 107.87 percent to 127.81 percent for South Africa. 60 Fed. Reg. at 27079.

<sup>70</sup> See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

[T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

<sup>71</sup> Commissioner Rohr further notes that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See e.g., Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

<sup>72</sup> Table 15, CR at I-48, PR at II-29; Official import statistics.

<sup>73</sup> As explained in footnote 101 below, we adjusted the official import statistics to exclude the Canadian imports outside the scope from our calculation of the volume of nonsubject imports and derived market penetration figures accordingly. (Because no apparent consumption data were collected for the first quarter of 1995, market penetration figures are reported only for the period from 1992 to 1994.)

from 1.1 percent in 1992 to 3.2 percent in 1994. Meanwhile, the domestic industry's share of apparent domestic consumption, measured by quantity, declined from 74.3 percent in 1992 to 69.6 percent in 1994.<sup>74</sup>

We next consider the price effects of the subject imports. The record indicates that there was significant underselling by the subject imports. The subject imports undersold the domestic like product in all 34 direct price comparisons.<sup>75</sup> In many cases, underselling margins were substantial. Moreover, for most of the products surveyed, the highest margins of underselling occurred during the latter part of the period of investigation.<sup>76</sup><sup>77</sup>

As we discussed in our consideration of cumulation, the information in the record indicates that the subject imports are generally substitutable with each other and with the domestic like product and are used for the same purposes.<sup>78</sup> The record further indicates that purchasers of standard pipe are generally unaware of the country of origin when they order standard pipe products.<sup>79</sup> Because standard pipe is largely a commodity product, the introduction of even small amounts of low-priced product can affect price levels in the overall market.

In fact, the record indicates that, while prices for domestically-produced standard pipe generally increased during the period of investigation,<sup>80</sup> the increase was not commensurate with the domestic industry's increases in costs. The ratio of COGS to net sales increased from 86.2 percent in 1992 to 87.9 percent in 1993 and to 89.1 percent in 1994. This occurred despite increases in sales volume. It also occurred while per unit selling, general, and administrative costs were declining.<sup>81</sup> Consequently, the domestic industry's decline in operating ratios from 1992 to 1994, and its inability to increase its profits during a period of increasing production and sales, reasonably appears attributable to its inability to raise its prices to match COGS increases. We believe that there is a reasonable indication that the increasing volumes of low-priced LTFV imports, which have consistently undersold and taken market share from the domestic industry, contributed to this cost-price squeeze.<sup>82</sup>

The impact of the imports is reflected in the increasing volumes of the subject imports and their significant underselling, on the one hand, and the domestic industry's

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<sup>74</sup> Table A-2, CR at A-6, PR at A-6. Moreover, the increase in subject import quantity accounted for 11.6 percent of the increase in the quantity of apparent U.S. consumption from 1992 to 1994, a level considerably above that of the subject imports' overall presence in the market. Id.

<sup>75</sup> CR at I-65, PR at II-38.

<sup>76</sup> In two of the four pricing comparisons, the highest margins of underselling occurred during the fourth quarter of 1994, and the second highest margins of underselling occurred during the third quarter of 1994. See Tables 17, 19, CR at I-60, I-62, PR at II-36. In a third comparison, covering 12 quarters of data, four of the five highest underselling margins occurred during 1994. Table 18, CR at I-61, PR at II-36.

<sup>77</sup> Commissioner Rohr notes that the domestic prices used in these comparisons are based on sales to all markets in the United States while import prices, because subject imports are concentrated geographically, are principally for Houston and Gulf States markets. He believes that it would be useful in any final investigations to isolate domestic prices in the markets in which the imports are present. This would further allow a comparison of prices in the markets in which the imports are present to prices nationwide and to prices in those markets in which the subject imports are absent.

<sup>78</sup> CR at I-10-13, PR at II-7-9.

<sup>79</sup> CR at I-12-13, I-68, I-70, PR at II-9, II-38, II-40.

<sup>80</sup> CR at I-58, PR at II-37.

<sup>81</sup> Table 8, CR at I-30, PR at II-20.

<sup>82</sup> We make this finding while recognizing that the volume of nonsubject imports is greater than the volume of subject imports, that nonsubject import volume and market penetration also increased from 1992 to 1994, and that nonsubject imports may also be contributing to the difficulties that the domestic industry is currently facing.

lackluster financial performance, on the other hand. Although this impact is not especially strong due to the subject imports' relatively low market penetration and the domestic industry's continued profitability, we conclude that it is sufficient to satisfy the "reasonable indication" standard governing Commission determinations in preliminary antidumping investigations. Accordingly, we determine that there is a reasonable indication that the domestic standard pipe industry is materially injured by reason of the subject imports from Romania and South Africa.<sup>83</sup>

## VII. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS<sup>84</sup>

Section 771(7)(F) of the Act directs the Commission to consider whether the U.S. industry is threatened with material injury by reason of the subject imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."<sup>85</sup> The Commission may not make such a determination "on the basis of mere conjecture or supposition."<sup>86</sup> Further direction is provided by the amendment to the statute, 19 U.S.C. § 1677(7)(F)(ii), which adds to the prior provision that the Commission consider the threat factors "as a whole" in making its determination "whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued. . . ."<sup>87</sup> In making our determination, we have considered, in addition to other relevant economic factors,<sup>88</sup> all statutory factors that are relevant to this investigation.<sup>89</sup>

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<sup>83</sup> Vice Chairman Nuzum notes that the evidence in these preliminary investigations supports affirmative determinations on the basis of threat more strongly than on the basis of present injury. Nevertheless, she is not convinced that, using the legal standard for preliminary determinations, a negative present injury determination is warranted.

<sup>84</sup> Commissioner Rohr notes that, while he generally does not reach the issue of threat where he makes a determination of present material injury, he has occasionally done so in the context of preliminary determinations, where an "either/or" determination actually provides greater transparency to the parties. In these investigations, under the bifurcated approach he follows, the issue of whether the industry is currently experiencing material injury is particularly close, he feels that it is appropriate to join in this threat discussion. With respect to the condition of the industry he notes that the widening gap between COGS and net sales and declining profitability, along with a declining market share in an expanding market demonstrate a vulnerability to unfair imports which he has considered in reaching his threat determination.

<sup>85</sup> 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

<sup>86</sup> 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire, 8 CIT at 28, 590 F. Supp. at 1280. See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing, H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984).

<sup>87</sup> While the language referring to imports being imminent (instead of "actual injury" being imminent and the threat being "real") is a change from the prior provision, the SAA indicates the "new language is fully consistent with the Commission's practice," the existing statutory language, "and judicial precedent interpreting the statute." SAA at 854.

<sup>88</sup> In Suramerica de Aleaciones Laminadas, C.A. v. United States, 44 F.3d 978, 984 (Fed. Cir. 1994), the Federal Circuit held that 19 U.S.C. § 1677(7)(F)(i) requires the Commission to consider "all relevant factors" that might tend to make the existence of a threat of material injury more probable or less probable.

<sup>89</sup> 19 U.S.C. § 1677(7)(F)(i). Two statutory threat factors have no relevance to these investigations and need not be discussed. Because there are no subsidy allegations, factor I is not applicable. Factor VII regarding raw and processed agriculture products is also inapplicable to the products at issue.

We have cumulated the subject imports from Romania and South Africa for the purposes of our threat analysis.<sup>90</sup><sup>91</sup> Under section 771(7)(H) of the Act, the Commission may "to the extent practicable" cumulatively assess the volume and price effects of subject imports from all countries as to which petitions were filed on the same day if the requirements for cumulation for material injury analysis are satisfied.<sup>92</sup> We determined in section V above that the requirements for cumulation for material injury analysis were satisfied in these investigations. We have determined to exercise our discretion to cumulate the subject imports for threat analysis as well because import volumes from both subject countries have risen sharply during the period of investigation and because imports from both subject countries uniformly undersold the domestic like product.<sup>93</sup>

There is significant unused production capacity in the subject countries. In South Africa, the amount of unused capacity that is projected to be available in 1995 is substantial in comparison to that country's quantity of exports to the United States.<sup>94</sup> This is also true in Romania, where current capacity utilization is very low.<sup>95</sup>

Other information in the record indicates that there is a likelihood that the unused production capacity in the subject countries will be used to increase substantially exports to the United States. Standard pipe from Romania is subject to an antidumping duty order in Canada and a price undertaking in the European Union (EU).<sup>96</sup> The existence of these antidumping remedies in World Trade Organization member markets,<sup>97</sup> combined with the trends of Romania's standard pipe exports to non-U.S. markets,<sup>98</sup> underscores the importance of the United States as Romania's current principal export market. This is confirmed by information in the record indicating substantial orders by U.S. distributors for Romanian

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<sup>90</sup> Commissioner Rohr notes that he does not formally cumulate in threat investigations and thus makes individual determinations with respect to each country subject to investigation. He further notes that he does "informally cumulate" imports in appropriate circumstances by considering the presence of other unfairly traded imports as another demonstrable adverse trend in making his individual determination. For purposes of his analysis, the Commission's discussion of cumulation establishes that appropriate circumstances exist for considering the presence of both the Romanian and South African imports together as such a trend.

<sup>91</sup> Commissioner Newquist exercises his discretion to cumulate subject imports for purposes of a threat of material injury analysis based on his finding that there is a reasonable overlap of competition between the subject imports themselves and the domestic like product. He also finds that imports from both subject countries are not negligible. He concurs with his colleagues' discussion in section V above finding that subject imports and the domestic product were simultaneously distributed in the same geographic markets throughout the period of investigation, but notes that, in his view, examination of fungibility is more appropriately addressed in the like product determination. See Additional and Dissenting Views of Chairman Newquist in Flat-Rolled Carbon Steel Products, USITC Pub. No. 2664 (Aug. 1993). Commissioner Newquist further notes that, for purposes of a cumulation for threat of material injury analysis, the statute does not require that subject imports exhibit similar volume or price trends. 19 U.S.C. § 1677(7)(H).

<sup>92</sup> 19 U.S.C. § 1677(7)(H).

<sup>93</sup> CR at I-48, I-65, PR at II-29, II-38.

<sup>94</sup> Table 14, CR at I-45, PR at II-28.

<sup>95</sup> Table 13, CR at I-43, PR at II-27. The Romania respondents' assertion that the unused productive capacity in Romania is largely unusable is not corroborated by data from the Romania producer projecting its 1995 and 1996 production levels. See id.

<sup>96</sup> Petition, vol. II, exs. 10, 11.

<sup>97</sup> See 19 U.S.C. § 1677(7)(G)(iii) (Commission directed to consider existence of antidumping findings or remedies in WTO member markets in its threat analysis).

<sup>98</sup> Table 13, CR at I-43, PR at II-27. Information concerning these trends is proprietary.

standard pipe during the first eight months of 1995.<sup>99</sup> In South Africa, trends concerning the ratio of exports to the United States as a share of total export shipments and as a share of total shipments indicate the importance to producers in South Africa of the growing U.S. export market.<sup>100</sup>

Additionally, the volume and market penetration of subject imports have increased significantly. The quantity of cumulated subject imports increased from 17,854 short tons in 1992 to 61,823 short tons in 1994.<sup>101</sup> The available data for the first quarter of 1995 indicate that subject import volume has continued to increase as compared to the same period in 1994.<sup>102</sup> Market penetration measured by quantity, while still relatively low, increased from 1.1 percent in 1992 to 3.2 percent in 1994 for cumulated subject imports.<sup>103, 104</sup> In light of the unused capacity in the subject countries, and the importance of the United States as an export market to each country, we conclude that there is likelihood that subject import volumes and market penetration will continue to increase.<sup>105</sup>

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<sup>99</sup> CR at I-42, PR at II-26.

<sup>100</sup> Table 14, CR at I-45, PR at II-28. The ratios themselves are proprietary.

<sup>101</sup> Table 15, CR at I-48, PR at II-29. The quantity of subject imports from Romania increased from 1,514 short tons in 1992 to 23,033 short tons in 1994; the quantity of subject imports from South Africa increased from 16,340 short tons in 1992 to 38,789 short tons in 1994. Id. That imports from South Africa increased throughout the period of investigation, and rose in the interim period comparison as well, militates against the conclusion urged by South Africa respondents that standard pipe imports from South Africa have simply returned to their "historical" levels in the U.S. market after being barred from the United States between 1986 and 1991 due to trade sanctions, and will not increase further. Moreover, the 1994 volume of imports from South Africa is materially higher than what South Africa respondents characterize as "historical trade volumes." See South Africa Respondents' Postconference Brief at 7.

<sup>102</sup> For cumulated subject imports, import quantity was 10,542 short tons during the first quarter of 1994, as compared to 20,457 short tons during the first quarter of 1995. For Romania, import quantity during the first quarter of 1994 was 3,920 short tons, as compared to 12,373 short tons during the first quarter of 1995; for South Africa, imports quantity was 6,622 short tons during the first quarter of 1994, as compared to 8,084 short tons during the first quarter of 1995. CR at I-47 n.73, PR at II-28; Official Import Statistics.

<sup>103</sup> Table A-2, CR at A-6, PR at A-6. Market penetration increased from 0.1 percent in 1992 to 1.2 percent in 1994 for imports from Romania, from 1.0 percent in 1992 to 2.0 percent in 1994 for imports from South Africa. Id.

Petitioners have asserted that official import statistics overstate the volume of nonsubject imports because they include imports from Canada of mechanical pipe outside the scope of investigation. Commission staff has corroborated petitioners' assertion. See CR at I-51 n.74, PR at II-32. Accordingly, we have determined to adjust the official statistics to exclude the Canadian imports outside the scope from our calculation of the volume of nonsubject imports. For these preliminary investigations, we have adjusted the Canadian import data in the official statistics on the basis of estimates supplied by petitioners and derived market penetration figures accordingly. (Because no apparent consumption data were collected for the first quarter of 1995, market penetration figures are reported only for the period from 1992 to 1994.) In any final investigations, we will attempt to obtain through questionnaires actual data concerning the amount of mechanical pipe included in the official statistics for imports from Canada.

<sup>104</sup> Commissioner Bragg notes that while import volumes and market penetration have increased significantly, they are still at relatively low levels and are not presently causing adverse volume effects.

<sup>105</sup> We decline petitioners' invitation to rely on the potential that Commerce will increase dumping margins on those nonsubject standard pipe imports currently subject to antidumping orders as a factor in determining whether subject import volume will likely increase. Attempting to project the outcome  
(continued...)

We further determine that the subject imports will likely enter the U.S. market at prices that will suppress domestic prices and/or cause purchasers to switch from the domestic like product to the subject imports. The subject imports undersold the domestic like product in all 34 direct price comparisons from 1992 to 1994.<sup>106</sup> Moreover, in most of the pricing comparisons, the highest margins of underselling occurred during the latter part of the period of investigation.<sup>107</sup> Because subject imports are generally substitutable with the domestic like product and are used for the same purposes, and because standard pipe purchasers are generally not sensitive to the country of origin of the pipe they purchase,<sup>108</sup> the availability of increasing volumes of low-priced subject imports will likely lead to a further increase in the quantities demanded of the subject imports. The record indicates that the domestic industry has not been able to increase its prices to fully recover increases in costs of its raw materials.<sup>109</sup> To the extent that there is not already a connection between the current volume of subject imports and the domestic industry's inability to cover its costs, such a nexus will be present if subject import volumes continue to increase.<sup>110</sup> We therefore conclude that the introduction of substantially increased volumes of subject imports will have a price suppressing effect.

Inventories of the subject merchandise in the United States are minimal.<sup>111</sup> Inventories maintained in the subject countries are more substantial, but have not increased significantly during the period of investigation.<sup>112</sup> Further, the record does not indicate that there is a potential for product-shifting in either subject country. Although these considerations do not lend further support to our threat determination, neither do they detract from our affirmative determination when considered "as a whole" in conjunction with the other factors.

Finally, other adverse trends indicate the probability that there is likely to be material injury by reason of the subject imports. As stated above, from 1992 to 1994 the domestic industry's profits did not increase and its operating margins declined although shipments, production, and domestic consumption all rose. The lost market share and/or price suppression that will occur by reason of increased volumes of subject imports will exacerbate the current declines in the industry's financial performance, as the industry is increasingly unable to cover increasing costs for raw materials. They will also serve to exacerbate the already sharply declining trends in industry capital expenditures. This will further reduce the competitiveness of the domestic industry, inasmuch as industry witnesses testified that the industry needs to continue to engage in capital expenditures to keep its costs competitive with those of other producers worldwide.<sup>113</sup> These trends indicate that continued increases in subject import penetration will have an injurious effect on the domestic industry.

In conclusion, we find that there is a likelihood that subject import volumes will continue to increase sharply, that the subject imports will enter the United States at very low prices, and that the domestic industry will consequently suffer financially because of either

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<sup>105</sup> (...continued)  
of administrative review proceedings pending before Commerce would require us to engage in improper conjecture.

<sup>106</sup> CR at I-65, PR at II-38. There were 10 comparisons involving the Romanian product and 24 involving the South African product. *Id.*

<sup>107</sup> See Tables 17-19, CR at I-60-62, PR at II-36-37.

<sup>108</sup> CR at I-10-13, I-68, I-70, PR at II-8-9, II-38, II-40.

<sup>109</sup> Table 8, CR at I-30, PR at II-20.

<sup>110</sup> Commissioner Bragg did not find a connection between the subject import volumes and the domestic industry's financial condition in assessing present material injury.

<sup>111</sup> CR at I-41, PR at II-26.

<sup>112</sup> Tables 13, 14, CR at I-43, I-45, PR at II-27-28.

<sup>113</sup> Tr. at 78 (Feeney), 79 (Hooper).

lost market share or suppressed prices. Accordingly, we determine that there is a reasonable indication of threat of material injury by reason of subject imports.

#### CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic standard pipe industry is threatened with material injury by reason of allegedly LTFV imports from Romania and South Africa. Vice Chairman Nuzum and Commissioner Rohr further determine that there is a reasonable indication the domestic standard pipe industry is materially injured by reason of these allegedly LTFV imports.

## VIEWS OF CHAIRMAN WATSON AND COMMISSIONER CRAWFORD

Based on the record in these investigations, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of circular welded non-alloy steel pipe ("standard pipe") from Romania and South Africa alleged to be sold at less than fair value ("LTFV"). We concur in the conclusions of our colleagues in the finding of the like product and negligibility, and in the discussion of the condition of the domestic industry. However, we do not concur in their determination that the domestic industry is materially injured or threatened with material injury by reason of the subject imports.

For purposes of these preliminary investigations, we have given petitioners the benefit of the doubt by making certain assumptions favorable to the petitioners. Specifically, we have given petitioners the benefit of the doubt by cumulating imports from Romania and imports from South Africa. In addition, we have given petitioners the benefit of the doubt by assuming that, if subject imports had not been present in the U.S. market, the domestic industry would have captured most, if not all, of the sales of subject imports. Our analysis of the condition of the industry also assumes that subject imports were not present in the U.S. market.<sup>1</sup> Our analysis follows.

### I. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM ROMANIA AND SOUTH AFRICA

In determining whether there is a reasonable indication of material injury by reason of subject imports, the statute directs the Commission to consider:

- (I) the volume of imports of the subject merchandise,
- (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and
- (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States...<sup>2</sup>

In making its determination, the Commission may consider "such other economic factors as are relevant to the determination."<sup>3</sup> In addition, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry...within the context of the business cycle and conditions of competition that are distinctive to the affected

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<sup>1</sup> In her analysis, Commissioner Crawford compares domestic prices and the condition of the domestic industry when subject imports were dumped with what domestic prices and the condition of the domestic industry would have been if subject imports had been fairly priced, i.e. not dumped. For a complete discussion of Commissioner Crawford's analytical framework, see, e.g., Magnesium from China, Russia, and Ukraine, Invs. Nos. 731-TA-696-698 (Final), USITC Pub. 2885 (May 1995), at 39-52. In these investigations the alleged dumping margins are 39.58 percent for Romania and 107.87 to 127.81 percent for South Africa. At these alleged margins, prices for the subject imports would have risen by a significant amount if they had been priced fairly, that is, had they not been dumped. Commissioner Crawford has given petitioners the benefit of the doubt and assumed that no subject imports would have been sold in the U.S. market at fairly traded prices.

<sup>2</sup> 19 U.S.C. § 1677(7)(B).

<sup>3</sup> 19 U.S.C. § 1677(7)(B)(ii).

industry.<sup>4</sup> We consider, in turn, the volume of subject imports, the effect of subject imports on domestic prices, and the impact of subject imports on the domestic industry.

#### A. Volume of Subject Imports

Cumulated imports of standard pipe increased from 17,854 short tons in 1992, to 30,357 short tons in 1993, and to 61,823 short tons in 1994. The value of subject imports was \$7,704,000 in 1992, \$12,932,000 in 1993, and \$27,075,000 in 1994.<sup>5</sup> By quantity, subject imports held a market share<sup>6</sup> of 1.1 percent in 1992, 1.9 percent in 1993, and 3.2 percent in 1994. Their market share by value was 0.9 percent in 1992, 1.4 percent in 1993, and 2.4 percent in 1994.<sup>7</sup> While it is clear that the larger the volume of subject imports the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and impact effects. In these investigations, the volume of cumulated subject imports was quite small throughout the period of investigation. Although the volume increased over the period of investigation, the absolute size of this increase was slight in relation to the overall size of the U.S. market. Thus, we find that the volume of subject imports is not significant in light of its price and impact effects.

#### B. Effect of Subject Imports on Domestic Prices

We find that subject imports are not having a significant effect on domestic prices. We have considered the evidence of underselling and the evidence that the domestic industry is experiencing a cost/price squeeze.

Although purchasers generally reported that standard pipe is a commodity product and that pipe from different countries can be used interchangeably, the record indicates that the degree of substitutability among products from different countries is affected by product quality, delivery terms, service, and other customer requirements.<sup>8</sup> A significant portion of importers and purchasers reported quality and/or delivery disadvantages associated with subject imports. We find, therefore, that evidence of underselling by subject imports in these investigations largely reflects non-price factors.

Overall domestic prices were higher in 1994 than in 1992.<sup>9</sup> However, the record indicates that the average cost of goods sold per short ton increased more than the average net sales value per short ton.<sup>10</sup> While this may be some evidence of a cost/price squeeze, it

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<sup>4</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>5</sup> CR at I-48; PR at II-29.

<sup>6</sup> In calculating market share, we have not used official import statistics as one component of apparent consumption. Petitioners have argued that using official statistics is likely to overstate apparent consumption and thus understate the market share of subject imports. At this time, staff is not able to quantify the overstatement in any reasonable manner that does not involve speculative assumptions. Thus, for purposes of these preliminary determinations we have given petitioners the benefit of the doubt by using petitioners' proposed adjustment to apparent consumption, and have calculated the market share of subject imports based on the corresponding data set. Had we used official statistics, our analysis and determination would not change because the cumulated market share of subject imports would be even smaller, reaching its highest level of 2.9 percent by quantity and 2.1 percent by value in 1994. Table 16, CR at I-53; PR at II-34. In any final investigations, we intend to seek information to quantify any overstatement in official statistics, and request the parties to address this issue.

<sup>7</sup> CR at A-6; PR at A-6.

<sup>8</sup> CR at I-10; PR at II-7 to II-8.

<sup>9</sup> CR at I-60 to I-63, Tables 17-20; PR at II-36 to II-37.

<sup>10</sup> CR at I-29; PR at II-18.

arises primarily from increases in domestic production costs, not from declines in domestic prices.

There are at least 17 producers of standard pipe in the United States. In addition, nonsubject imports hold a substantial share of the domestic market, accounting for a 27.3 percent share by quantity and a 23.6 percent share by value in 1994. We find that competition among domestic producers and the large presence of nonsubject imports would have significantly limited any further price increases by the domestic industry, even in the absence of Romanian and South African imports. Accordingly, while the domestic industry may be experiencing a cost/price squeeze, market conditions preclude us from concluding that the domestic industry could have raised its prices sufficiently to cover its costs even in the absence of allegedly LTFV imports from Romania and South Africa. Consequently, we find that subject imports are not having any significant effects on prices for domestic standard pipe.

### C. Impact of Subject Imports on the Domestic Industry

As discussed above, the domestic industry could not have increased its prices even if subject imports had not been present in the U.S. market. Therefore, any impact on the domestic industry would affect principally the industry's output and sales.

As stated previously, our analysis assumes that subject imports were not present in the U.S. market. As such, the market share of subject imports would then have been supplied by either the domestic industry, nonsubject imports or some combination of the two. The volume and market share of nonsubject imports have increased from 1992 to 1994, and these increases exceeded the volume and market share of subject imports. Thus, it is likely that a significant portion of the market share of subject imports would have been supplied by nonsubject imports. However, we have given petitioners the benefit of the doubt and assumed that all or almost all of the 3.2 percent market share supplied by subject imports would have been supplied by the domestic industry. This market share, however, is so small that any effect on the industry's output and sales, and thus any impact on the industry, would not be material.<sup>11</sup>

### D. Conclusion

On the basis of the foregoing, Chairman Watson determines that there is no reasonable indication that the domestic industry is materially injured by reason of the subject imports. Commissioner Crawford finds that there is no reasonable indication that the domestic industry would have been materially better off if the subject imports had been fairly traded, and thus that there is no reasonable indication that the domestic industry is materially injured by reason of the subject imports.

## II. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF STANDARD PIPE FROM ROMANIA AND SOUTH AFRICA

We further determine that there is no reasonable indication that the domestic industry is threatened with material injury by reason of the subject imports. We have considered all

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<sup>11</sup> Chairman Watson notes that the record indicates that domestic producers' production, shipments, capacity utilization, and employment all increased over the period of investigation. Table 5, CR at I-26, PR at II-17; Table 4, CR at I-24, PR at II-16; and Table 7, CR at I-28, PR at II-19. In addition, the industry remained profitable throughout the period examined. Chairman Watson further notes that given the increases in U.S. producers' sales quantities as well as overall sales prices, the domestic industry would have experienced significantly greater profitability, but for the large increases in production costs, as reflected in unit COGS. Table 8, CR at I-30 to I-31; PR at II-20.

of the statutory factors that are relevant to this investigation.<sup>12</sup> The statute, as amended, requires that the Commission consider the threat factors "as a whole" in making its determination, and the determination "may not be made on the basis of mere conjecture or supposition."<sup>13</sup>

We do not find that the information concerning production capacity and capacity utilization in the exporting countries shows that a substantial increase in subject imports into the United States is likely. Production capacity in Romania \*\*\* over the period of investigation and is projected to \*\*\* in 1995 and 1996.<sup>14</sup> Although production capacity in South Africa \*\*\* in 1994, it is projected to \*\*\* in 1996.<sup>15</sup> Capacity utilization levels in South Africa were \*\*\* in 1992 and 1993, and, although capacity utilization \*\*\* in 1994, it is projected to \*\*\* in 1995 and 1996 that substantial future increases in production and exports to the United States are not likely.<sup>16</sup> Unused capacity in Romania is not likely to result in an increase in exports to the United States since the sole producer and exporter of Romanian standard pipe has experienced significant supply problems and is hampered by badly outdated plant and machinery.<sup>17</sup> Petitioners allege that the United States is an increasingly important market to producers in both exporting countries. \*\*\*.<sup>18</sup> In addition, South African home market shipments were relatively stable over the period examined, and demand conditions in the home market, as well as in other export markets, are expected to remain strong.<sup>19</sup>

From 1992 to 1994, by quantity the market penetration of subject imports increased from a 1.1 percent share to a 3.2 percent share, its highest level.<sup>20</sup> This rate of increase is large, but is a function of the very small base. In absolute terms, the market penetration of subject imports has not been significant, and there is no indication that it will be in the future. We find the peak market penetration in 1994 to be too small to indicate that there is a likelihood of substantially increased imports, particularly in light of the information concerning production capacity and capacity utilization in the exporting countries discussed above. We thus do not find that subject imports are likely to increase to injurious levels in the immediate future, or that the slight increase in subject import market penetration over the period of investigation demonstrates a likelihood of substantially increased imports.

As discussed above, we do not find that subject imports have had significant effects on domestic prices. We find nothing in the record to indicate that market conditions will change. Thus, we find that subject imports are not likely to have significant price effects in the immediate future.

The evidence on the record does not indicate that inventories of subject merchandise, either in the United States or in the exporting countries, represent a threat of material injury to the domestic industry. Although subject import inventories in the United States \*\*\* from 1993 to 1994, they \*\*\* as a percentage of the quantity of subject imports imported into the

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<sup>12</sup> 19 U.S.C. § 1677(F)(i).

<sup>13</sup> 19 U.S.C. § 1677(F)(ii).

<sup>14</sup> Table 13, CR at I-43; PR at II-27. Capacity to produce welded non-alloy steel pipe \*\*\* in 1993, \*\*\* in 1994, and is projected to \*\*\* in 1995 and 1996. Id.

<sup>15</sup> Evidence on the record indicates that one of the two largest South African producers of welded non-alloy steel pipe is undergoing a process of rationalization and is dismantling its facility and transferring the machinery to another producer. CR at I-44; PR at II-27. South African production capacity of welded non-alloy steel pipe is \*\*\* in 1996. Table 14, CR at I-45; PR at II-28.

<sup>16</sup> Table 14, CR at I-45; PR at II-28. Capacity utilization was \*\*\* percent in 1992, \*\*\* percent in 1993, \*\*\* percent in 1994, and is expected to \*\*\* percent in 1995 and \*\*\* percent in 1996. Id.

<sup>17</sup> CR at I-42 to I-43; PR at II-26 to II-27.

<sup>18</sup> CR at I-42; PR at II-26.

<sup>19</sup> CR at I-46; PR at II-28.

<sup>20</sup> Table 16, CR at I-53; PR at II-34.

United States and represent a minuscule percentage of U.S. domestic consumption.<sup>21</sup> Inventories in the exporting countries \*\*\* in 1995 and 1996.<sup>22</sup> Based on the foregoing, there is no evidence to indicate that inventories of subject merchandise represent a threat of material injury to the domestic industry.

There is no evidence of any potential for product shifting within the meaning of 19 U.S.C. § 1677(7)(F)(i)(VIII). We also find no actual or potential negative effects on existing development and production efforts of the domestic industry. In addition, we find no "other demonstrable adverse trends" to indicate that the domestic industry is threatened with material injury by reason of subject imports.

Petitioners assert that the existence of an antidumping order in Canada and a price undertaking in the European Union (EU) pertaining to standard pipe from Romania increase the likelihood that there will be an increase in subject imports from Romania. Because the Canadian antidumping order has been in effect since 1991 and the EU undertaking since 1990, any diversion of Romanian exports and any corresponding impact already would have occurred.<sup>23</sup> Therefore, we do not find that the order and the undertaking represent any threat of material injury by reason of subject imports.

For the reasons stated above, we determine that there is no reasonable indication that the domestic industry producing circular welded non-alloy steel pipe is threatened with material injury by reason of allegedly LTFV imports from Romania and South Africa.

### III. CONCLUSION

Based on the record in these investigations, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports from Romania and South Africa.

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<sup>21</sup> Table A-1, CR at A-3; PR at A-3.

<sup>22</sup> Table 13, CR at I-43, PR at II-27; Table 14, CR at I-45, PR at II-28.

<sup>23</sup> CR at I-43; PR at II-27.



Additional Views of Commissioner Lynn M. Bragg

No Present Material Injury to the Domestic Standard Pipe Industry

Based on the record in these preliminary investigations, I find that the industry in the United States producing standard pipe products is not presently materially injured by reason of subject imports from Romania and South Africa.

Volume of Imports:

I do not find the volume of imports from the subject countries to be significant. While the cumulated volume of subject imports increased more than twofold between 1992 and 1994, I find that these imports, which accounted for 3.2 percent, by quantity, and 2.4 percent, by value, of apparent U.S. consumption in 1994, have not presently risen to significant levels.<sup>24</sup> Domestic producers did lose a small amount of market share over the investigation period, but this loss does not yet appear significant, especially in terms of value, which declined only 2.5 percentage points between 1992 and 1994. Moreover, the significance of this lost market share is mitigated by the fact that over the investigation period, domestic shipments increased 16.2 percent by quantity, and 26.4 percent by value, and net sales increased 17.5 percent by quantity, and 27.1 percent by value. These increases are similar in magnitude to the rate of growth in U.S. consumption, which increased by 24.0 percent and 30.7 percent, respectively, in terms of quantity and value between 1992 and 1994.

Price Effects:

I further find no present adverse price effects from the subject imports. While the subject imports for which the Commission collected pricing data undersold the domestic products in all 34 price comparisons, I do not find current significant price suppression or price depression as a result of the presence of these imports in the U.S. market, given that the overall volume of subject imports is relatively small, and that domestic products 1 and 2 showed price increases of \*\*\* percent and \*\*\* percent, respectively, over the period of investigation. Subject import price trends also do not support finding present adverse price effects. Prices for the two Romanian products, with relatively few observations, showed little movement between the fourth quarter of 1993 and the fourth quarter of 1994, and prices for South African products 1 and 2 increased overall by \*\*\* percent and \*\*\* percent, respectively, between January 1992 and December 1994.<sup>25</sup>

Impact of Imports on the Domestic Industry:

Based on the absence of significant volume and price effects in these investigations, I find no present adverse impact on the domestic industry as a result of the allegedly less than fair value imports of standard pipe from Romania and South Africa. With the exception of gross profit and operating income, which declined very slightly between 1992 and 1994, virtually all of the other indicators of the domestic industry's condition are favorable. Regardless of the financial or operating performance of the domestic industry, however, I find no evidence

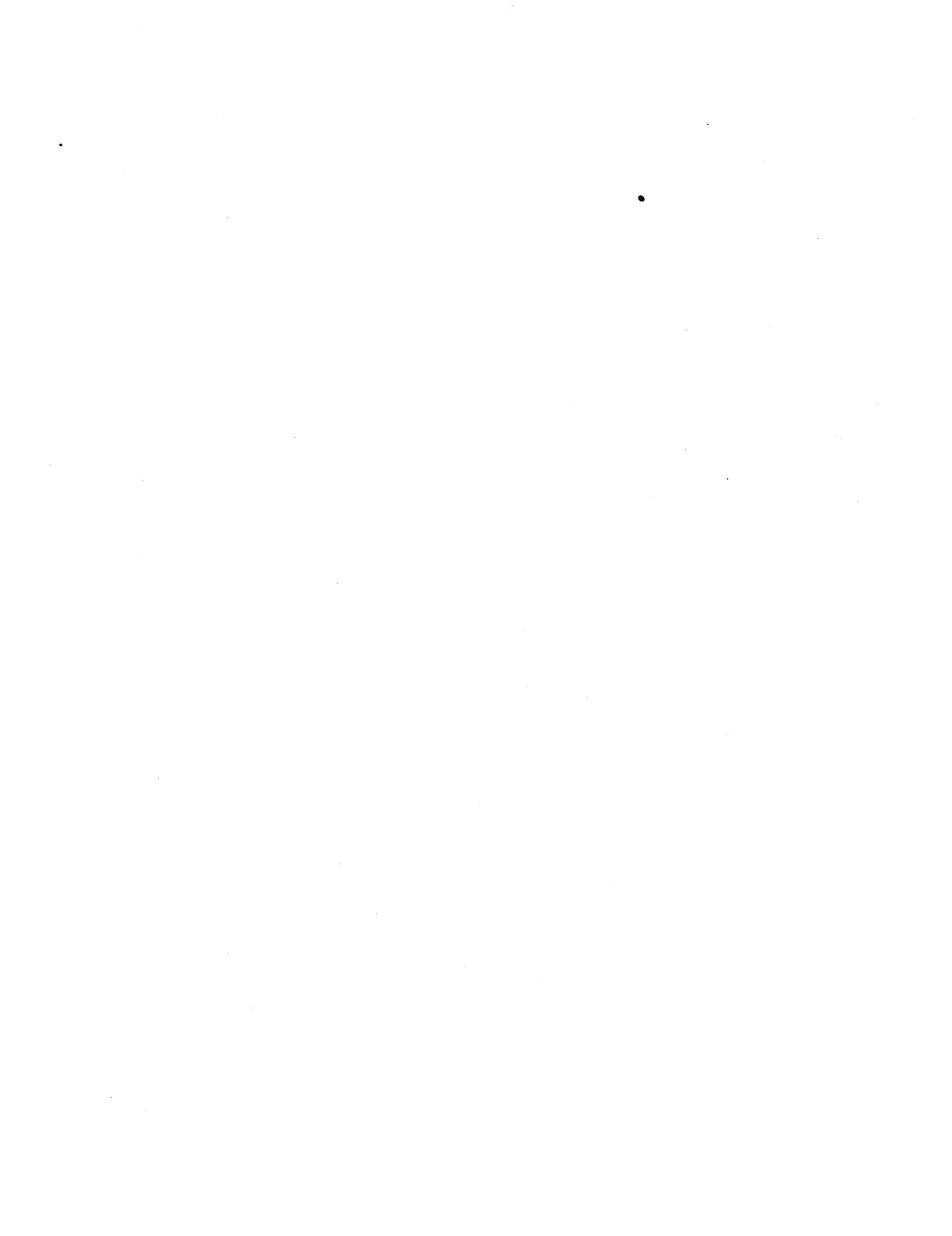
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<sup>24</sup> CR, p. A-6, Table A-2.

<sup>25</sup> I do note that the largest margins of underselling were observed later in the investigation period, and prices for Romanian products 1 and 2, and South African product 2 began to decline in 1994. These trends provide some indication that price suppression or price depression may result from the imports in the near future, which, in part, explains my affirmative determination with respect to the question of the threat of material injury in these investigations.

of a correlation between the subject imports and the present condition of the domestic industry. Consequently, I make a negative present injury determination.

**PART II**  
**INFORMATION OBTAINED IN THE INVESTIGATIONS**



## INTRODUCTION

These investigations result from petitions filed by Allied Tube, Harvey, IL; Armco/Sawhill, Sharon, PA; LTV Steel, Youngstown, OH; Sharon Tube, Sharon, PA; Laclede Steel, St. Louis, MO; Wheatland Tube, Collingswood, NJ; and Century Tube, Pine Bluff, AR, on April 26, 1995, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of LTFV imports of standard pipe<sup>1</sup> from Romania and South Africa.<sup>2</sup> Information relating to the background of the investigations is provided below.<sup>3</sup>

<i>Date</i>	<i>Action</i>
April 26, 1995	Petitions filed with Commerce and the Commission; <sup>4</sup> institution of Commission's investigations (60 F.R. 21828, May 3, 1995)
May 17, 1995	Commission's conference <sup>5</sup>

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<sup>1</sup> For purposes of these investigations, circular welded non-alloy steel pipes (standard pipes) are all pipes and tubes, of circular cross-section, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, bevelled end, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other) used in, or intended for use in, standard or structural pipe applications. The scope specifically includes, but is not limited to, all pipe produced to the ASTM A-53, ASTM A-120, ASTM A-135, ASTM A-795, and BS-1387 specifications. It also includes any pipe multi-stencilled or multiple-certified to one of the above-listed specifications and to any other specification such as API-5L and API-5L X-42 specifications. Pipe produced to proprietary specifications, the API-5L, the API-5L X-42, or to any other non-listed specification is included within the scope of these investigations if used or intended for use in a standard pipe application, regardless of the HTS category into which it was classified. Standard pipe uses include the low pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipe may carry liquids at elevated temperatures but may not be subject to the application of external heat. Standard or structural pipe uses also include load-bearing applications in construction and residential and industrial fence systems. Standard pipe uses also include shells for production of finished conduit and pipe used for the production of scaffolding. These investigations do not cover: API line pipe that is used in oil or gas pipelines; mechanical tubing, whether or not cold-drawn, that enters the United States classified under HTS 7306.30.10 or 7306.30.50; tube and pipe hollows for redrawing that enter the United States classified under HTS 7306.30.5035; and finished electrical conduit that enters the United States classified under HTS 7306.30.50 including HTS 7306.30.5028. The scope of these investigations also covers pipe used for the production of scaffolding, but does not cover finished scaffolding. Pipe produced to the API specifications for oil country tubular goods (API 5CT) is not covered by the scope of these investigations, unless also certified to a listed standard pipe specification and used or intended for use in a standard pipe application. Standard pipe is provided for in subheadings 7306.30.10 and 7306.30.50 of the HTS with a MFN tariff rate of 7.2 percent ad valorem for products having a wall thickness of less than 1.65 mm and 1.7 percent ad valorem for those having a wall thickness of 1.65 mm or more. The column 2 rate of duty for the subject products, applicable to imports from Romania before 1994, is 25 percent ad valorem for standard pipe having a wall thickness of less than 1.65 mm and 5.5 percent ad valorem for the remainder. Special tariff rates generally do not apply to goods of the subject countries.

<sup>2</sup> A summary of the data collected in the investigations is presented in app. A.

<sup>3</sup> *Federal Register* notices cited in the tabulation are presented in app. B.

<sup>4</sup> The petition alleges LTFV margins on the subject imports from Romania and South Africa ranging from 39.50 to 55.08 percent and from 107.07 to 127.81 percent, respectively. Commerce revised these allegations to 39.58 percent for Romania and 107.87 percent to 127.81 percent for South Africa in its notice of initiation.

<sup>5</sup> A list of witnesses appearing at the conference is presented in app. C.

<i>Date</i>	<i>Action</i>
May 22, 1995	Commerce's notice of initiation (60 F.R. 27078)
June 12, 1995	Date of briefing and vote
June 12, 1995	Commission's determinations sent to Commerce

## **PREVIOUS AND RELATED INVESTIGATIONS**

Standard pipe has been the subject of numerous Commission investigations. Details on these investigations are provided in table 1.<sup>6</sup>

## **VOLUNTARY RESTRAINT AGREEMENTS**

Between October 1, 1984, and March 31, 1992, imports of non-alloy carbon steel products, including the standard pipe subject to these investigations, were subject to quantitative limitations under VRAs negotiated with 19 foreign governments and the EU. As part of the program to bring the VRAs into effect, U.S. producers withdrew pending unfair trade petitions, and the U.S. Government suspended antidumping and countervailing duties on covered products. On July 25, 1989, relief was extended an additional 2½ years, until March 31, 1992.<sup>7</sup>

## **THE PRODUCT**

The products within the scope of Commerce's investigation, as stated in its notice of initiation, will be referred to as standard pipe throughout this report. Respondents do not dispute that the standard pipe products as currently defined should constitute a single domestic like product for purposes of the preliminary investigations; however, Commerce has invited comment on the use-based aspect of it.

The imported product subject to these investigations is standard pipe. This section presents information on both imported and domestically produced standard pipe, as well as information related to the Commission's "domestic like product" determination.<sup>8</sup>

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<sup>6</sup> In addition to the investigations listed in table 1, conducted jointly by the Commission and Commerce, Commerce unilaterally conducted and made affirmative determinations in countervailing duty investigations on imports of the subject product from Thailand and Argentina on Aug. 14, 1995, and Sept. 27, 1988, respectively.

<sup>7</sup> When the VRAs were extended in 1989, the United States sought to address the causes of unfair trade and to eliminate subsidies to and overcapacity in the steel industry. These agreements sought to include commitments by countries to prohibit export and production subsidies specifically for steel products, to reduce tariffs and non-tariff barriers to steel trade, and to incorporate a binding arbitration mechanism; the bilateral consensus agreements were to be multilateralized within GATT through incorporation in the Uruguay Round. On Mar. 31, 1992, negotiations on a MSA were suspended without agreement, although considerable progress had been made.

<sup>8</sup> The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and, where appropriate, (6) price.

**Table 1**  
**Standard pipe: Previous Commission investigations**

<u>Country</u>	<u>Investigation number</u>	<u>Determination</u>	<i>Federal Register publication date</i>
<b>Antidumping investigations:</b>			
Korea	731-TA-131(F) <sup>1</sup>	Affirmative <sup>2</sup>	05-09-84
Taiwan	731-TA-132(F) <sup>1</sup>	Affirmative	05-09-84
Brazil	731-TA-197(F) <sup>1</sup>	Terminated <sup>3</sup>	03-27-85
Spain	731-TA-198(F) <sup>1</sup>	Terminated <sup>3</sup>	02-08-85
Venezuela	731-TA-212(F)	Terminated <sup>3</sup>	10-28-85
Thailand	731-TA-252(F)	Affirmative	03-03-86
India	731-TA-271(F)	Affirmative	05-07-86
Turkey	731-TA-273(F)	Affirmative	05-07-86
Yugoslavia	731-TA-274(F)	Terminated <sup>3</sup>	04-16-86
China	731-TA-292(F)	Negative	09-04-86
Philippines	731-TA-293(F)	Negative	11-13-86
Singapore	731-TA-294(F)	Negative	11-13-86
Brazil	731-TA-532(F)	Affirmative	11-04-92
Korea	731-TA-533(F)	Affirmative	11-04-92
Mexico	731-TA-534(F)	Affirmative	11-04-92
Romania	731-TA-535(F)	Negative	11-04-92
Taiwan	731-TA-536(F) <sup>4</sup>	Affirmative	11-04-92
Venezuela	731-TA-537(F)	Affirmative	11-04-92
<b>Countervailing duty investigations:</b>			
Brazil	701-TA-165(F)	Suspended <sup>5</sup>	12-27-82
Italy	701-TA-167(P)	Negative	10-29-82
Korea	701-TA-168(F)	Affirmative <sup>6</sup>	02-15-83
Spain	701-TA-220(F) <sup>1</sup>	Terminated <sup>3</sup>	02-11-85
Venezuela	701-TA-242(F)	Terminated <sup>3</sup>	11-13-85
India	701-TA-251(F)	Terminated	01-15-86
Taiwan	701-TA-252(F)	Terminated <sup>3</sup>	01-15-86
Turkey	701-TA-253(F)	Affirmative	03-03-86

<sup>1</sup> Subject products were small-diameter, welded standard pipe, up to 4.5 inches in outside diameter.

<sup>2</sup> Order revoked on Oct. 21, 1985.

<sup>3</sup> Petitioners withdrew petition pursuant to VRA or similar measure (Taiwan maintained a unilateral restraint on exports to the United States).

<sup>4</sup> Subject products were standard pipe exceeding 4.5 inches but less than 16 inches in outside diameter.

<sup>5</sup> The suspension was based on an agreement with the Government of Brazil to offset subsidies with an export tax. Petition was withdrawn in 1985 which terminated the investigation.

<sup>6</sup> Order revoked on Oct. 29, 1985.

Source: *Federal Register* notices.

In these investigations, petitioners (and Commerce) define standard pipe as circular welded non-alloy steel pipes and tubes, of circular cross-section, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, threaded, or threaded and coupled), or industry specification, used in, or intended for use in, standard pipe applications.

### Physical Characteristics and Uses

As stated in Commerce's notice of initiation, standard pipe is intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. It may carry fluids at elevated temperatures and pressures but must not be subjected to external heat. Standard pipe may also be used for light load-bearing applications, such as for fence tubing.<sup>9</sup> In addition, the products subject to these investigations include line pipe and structural or mechanical pipe and tube if used in standard pipe applications, as well as shells for the production of finished conduit and pipe used for the production of scaffolding.

Standard pipe used in the United States is most commonly produced to the ASTM A-53 standard, although it may also be produced to the ASTM A-120,<sup>10</sup> ASTM A-135, and ASTM A-795 standards. The requirements concerning chemical and mechanical properties for ASTM standard pipe differ for the various specifications and for the types and grades within each specification.<sup>11</sup> Ultimately, users of pipes and tubes, although referring to pipe according to traditional classification, may also have standard requirements differing from those established by the various organizations.<sup>12</sup>

Standard pipe intended for low-pressure service in steam, water, and gas lines is customarily inspected and tested hydrostatically, in accordance with ASTM specification A-53.<sup>13</sup> Standard pipe intended for coiling, bending, flanging, or other special purposes is subject to tensile, bending, and flattening tests, as well as hydrostatic tests, in accordance with ASTM specification A-53, ASTM A-120 (withdrawn standard), ASTM A-135, and ASTM A-795.

In instances when the size requirements are the same (generally in sizes of 6 inches and larger),<sup>14</sup> pipes are produced to meet both line pipe<sup>15</sup> and standard pipe specifications. Such products may be "dual-stencilled" with both API and ASTM specification numbers. According to ASTM A-

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<sup>9</sup> There are several organizations that categorize tubular products according to their uses; the National Association of Steel Distributors Inc. defines five general categories of tubular goods that meet different standards and specifications: standard pipe, line pipe, OCTG, pressure tubing, and mechanical tubing. The AISI distinguishes among the various types of pipes and tubes according to six end uses: standard pipe, structural pipe and tubing, mechanical tubing, line pipe, pressure tubing, and OCTG. The Piping Handbook classifies pipe by their most common use into standard pipe, pressure pipe, line pipe, water-well pipe, OCTG, and other.

<sup>10</sup> This is a withdrawn standard almost identical to the A-53 standard; some imported pipes are produced to the ASTM A-120 standard. A-120 pipe was differentiated by being hot-dipped and zinc-coated; however, the current A-53 standard includes hot-dipped and zinc-coated pipe.

<sup>11</sup> Standard pipe A-53 is produced in F, E, and S types, and in A or B grades for types E and S. These sub-classifications are commonly determined by application demands.

<sup>12</sup> Mohinder L. Nayyar, Piping Handbook, 1992, p. A.48, and petition, p. 4.

<sup>13</sup> Pipes used in applications such as fencing, conduit, and scaffolding are not subject to hydrostatic tests unless specified.

<sup>14</sup> Telephone conversation with \*\*\*.

<sup>15</sup> Line pipe is used for the transmission of gas, oil, or water, generally in pipeline or utility distribution systems. Line pipe is generally produced to API specifications.

53 specifications, standard pipe is "intended for mechanical and pressure applications and is also acceptable for ordinary uses in steam, water, gas, and air lines."<sup>16</sup>

Steel pipes known as conduit shells are used as inputs in the manufacturing of finished conduits, which in turn are used in the protection of electrical wiring systems.<sup>17</sup> Conduit shells used in the manufacturing of finished conduit may be of welded or seamless steel, and do not require hydrostatic tests unless specified. Conduit shells are not subject to ASTM specifications.<sup>18</sup>

### Use of Common Manufacturing Facilities and Production Employees

The manufacture of standard pipe begins with coils of flat-rolled steel, known as skelp,<sup>19</sup> which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe. The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The product is then welded along the joint axis. The subject standard pipes are most commonly produced either by the ERW method or the CW method. In both methods of production, flat-rolled steel sheet is slit to the exact width necessary to produce the desired diameter pipe.

Immediately after welding, sizing rolls shape the tube to accurate diameter tolerances. It is at this point that the round tube is formed into a circle, rectangle, square, or other desired shape by using forming rolls. The product is cooled and then cut at the end of the tube mill by a flying shear or saw. The standard lengths of the products are 20 and 24 feet.

Petitioners state that they produce products that include line pipe, structural pipe, water well pipe, conduit shells, and sprinkler pipe with the same equipment and workers used to produce standard pipe.

### Interchangeability and Perceptions of the Product

Responding producers reported that standard pipe is a commodity product that can be used interchangeably regardless of its country of origin. There may be cosmetic differences among the products and application purposes, but if they meet the same ASTM standards, they are interchangeable. However, customer requirements such as quality, consistency, traceability, delivery, and service affect the degree of interchangeability among products from different countries.

Eight of 12 responding U.S. producers indicated that subject imported pipes from Romania are always interchangeable (can physically be used in the same applications) with the domestic pipes and seven responded that South African pipe is always interchangeable. Several producers pointed out that the pipe must meet specifications. Another commented that the differences are cosmetic. One producer responded that the pipe from either country is occasionally interchangeable, and said that his customers require Factory Mutual approval. The remainder of the responding U.S. producers said that the subject imports are generally interchangeable. One producer pointed out that subject imports are made to grade A standards, while he produced to the higher grade B standards, so the imports are restricted from some applications for which his product could be used. According

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<sup>16</sup> ASTM, 1995 Annual Book of ASTM Standards, p. 1.

<sup>17</sup> All known producers of conduit shells included data on their sales of shells in their questionnaire responses.

<sup>18</sup> Finished conduit is not considered a steel mill product by the AISI, and is not subject to ASTM's Steel-Piping, Tubing, Fittings specifications. Finished conduit is produced to electrical specifications of the Underwriters Laboratory.

<sup>19</sup> Skelp is a flat-rolled, intermediate product used as the raw material in the manufacture of pipes and tubes. It is typically an untrimmed band of hot- or cold-rolled sheet.

to \*\*\*, only a small portion of the market, 10 percent or less, demands grade B products and according to \*\*\*, the estimated cost of producing grade B is approximately \*\*\* percent more than the cost of producing grade A.<sup>20</sup> Eight U.S. producers reported that the quality of their product was comparable in quality to the South African product, and six said that their product was superior. Seven domestic producers reported that the quality of their product was comparable to that of the Romanian product, and seven stated that their product is superior.

One importer responded that imports from Romania are always interchangeable with domestic product, three indicated that they generally are interchangeable, and two said that they are not at all interchangeable. Specifically, the importers cited such conditions as non-conformance to ASTM A-53 grade A specs and inferior threadability, surface conditions, and hardness. All four importers who ranked the quality of Romanian pipe against the domestic product stated that it was inferior. Two importers reported that South African pipe is always interchangeable and six reported that it is generally interchangeable. One importer cited 'Buy America' programs, custom specifications, delivery lead time, and quantity requirements as factors that limit interchangeability. No importer reported quality as a factor affecting interchangeability, although two importers responded that the South African product is inferior in quality to the domestic product. The other four importers who ranked the quality of the South African product relative to the domestic product stated that it was comparable or superior.

Mr. Young, President, Gulf & Northern, an importer of Romanian standard pipe, testified that Romanian standard pipe was inferior in quality and was limited to non-critical applications such as handrails, livestock gates, awning frames, etc. He stated that the standard pipe that he imports does not compete with U.S-produced standard pipe.<sup>21</sup> Mr. Evans, Vice President, Maurice Pincoffs, an importer of South African standard pipe, testified that South Africa produces good quality standard pipe that he sells mainly to plumbing supply houses for use in residential construction. The standard pipe that he imports from South Africa is all of small diameter, ranging from a half inch to 6 inches. When the CAAA was enacted he mainly sourced his standard pipe from Latin America.<sup>22</sup>

\*\*\*, a distributor who purchases both domestic product and imports from the subject countries, stated that he has never encountered any complaints from his customers about either Romanian or South African product. He feels that imports from both these countries are interchangeable with other imports, although few imports are as high quality as domestic pipe. His customers do not distinguish by country of origin when they order, and imports from both subject countries are inventoried along with other imports. He added that although he has never conducted independent testing, all Romanian pipe he has handled has paperwork stating that it meets ASTM A-53, grade A specifications.

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<sup>20</sup> Petitioners' postconference brief, app., p. 3.

<sup>21</sup> Conference transcript, pp. 116-119 and 128-129. Counsel for petitioners argues that the imported Romanian standard pipe is comparable to U.S.-produced pipe in terms of quality and competes with South African standard pipe in the marketplace. \*\*\*; Schagrin & Associates, postconference brief, ex. 14.

Counsel for the South Africans argues that the Romanian imports that are not off-grade meet ASTM standard A-53 grade A specifications, whereas the bulk of U.S. standard pipe meets the more rigorous ASTM standard A-53 grade B. The off-grade products cannot compete with U.S. product in any application where ASTM certified pipe is required; Fulbright & Jaworski, postconference brief, ex. 1. Counsel for the Romanians states that no Romanian standard pipe meets all ASTM A-53 grade B standards and a large majority of such pipe does not meet ASTM A-53 grade A standards. Thus, Romanian pipe cannot compete with U.S.-produced standard pipe and South African pipe for use in most plumbing and construction projects; Venable, postconference brief, pp. 12-16, exs. 2-5.

<sup>22</sup> Conference transcript, pp. 143-145 and 164; Fulbright & Jaworski, postconference brief, pp. 10-12, and 20-22.

\*\*\* has purchased Romanian product. He stated that the product quality was fine and that it was suitably interchangeable with other imports, although it was lower quality than domestic product, mostly due to problems which occur during shipping. He said that all the Romanian product he has seen meets ASTM A-53 standards. He inventories Romanian product along with product from other countries and his customers do not order by country of origin. In addition, he stated that the product is not only used for low-end applications; the product he sells is used for water and gas applications. \*\*\* has purchased Romanian pipe. He stated that although he returned one shipment that looked as though it was damaged in shipment, his experience with the Romanian product is that it is fully interchangeable with imports of other countries.

The majority of responding producers rated domestic standard pipe as comparable in payment/credit terms to Romanian standard pipe but superior in quality consistency, prompt delivery, availability of product, technical support, and sales and service. With regard to the quality and packaging of the Romanian product compared with the U.S. product, responding producers were split. Similarly, the majority of responding producers rated domestic standard pipe as comparable in payment/credit terms to South African standard pipe but superior in prompt delivery, availability of product, technical support, and sales and service. Responding producers were split with regard to the quality of the South African product, quality consistency, and packaging. U.S. producers stated that they faced more intense competition from Korea, Canada, and Malaysia, countries not subject to these investigations.

The majority of responding importers reported that domestic standard pipe is superior to that from Romania with regard to quality, quality consistency, availability of product, prompt delivery, technical support, sales and service, and payment/credit terms, and comparable with respect to availability of product, packaging, and payment/credit terms. The majority of responding importers reported domestic standard pipe to be comparable to that from South Africa with regard to packaging, technical support, sales and service, and payment/credit terms, but were split between comparable and superior with respect to quality of product, quality of consistency, product delivery, and availability of product.

More expensive products such as stainless or seamless pipes and tubes can be used for standard pipe applications. Square or rectangular pipes and tubes as well as certain reject, structural grade, or limited service pipe<sup>23</sup> can be used in place of certain standard pipe for some structural applications. Also, substitute materials such as copper, plastics, aluminum, and other advanced materials can be used in place of subject products in certain applications. However, such substitutions are relatively infrequent.

### Channels of Distribution

Both U.S. producers and importers sell mainly through distributors and service centers. Master distributors sell the standard pipe to smaller distributors of plumbing and heating equipment, fire protection equipment, and fencing. Many of the distributors and service centers<sup>24</sup> that purchase standard pipe from domestic producers also buy standard pipe from importers, or import it themselves for resale to various contractors and industrial end users.<sup>25</sup> Based on questionnaire responses, 92 percent of reported 1994 U.S. producer shipments of standard pipe were to distributors, about 9 percent of which were to related distributors. Eight percent of the shipments

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<sup>23</sup> National Association of Steel Pipe Distributors, Tubular Products Manual, p. 10.

<sup>24</sup> Service centers may also have finishing equipment to cut pipe to length and to thread and couple it; petition, vol. I, p. 3.

<sup>25</sup> Petition, vol. II, p. 6.

went directly to end users.<sup>26</sup> For importers, virtually all of 1994 shipments were sold to unrelated distributors, with only one responding importer, \*\*\*, indicating any sales to end users.

Most U.S. producers sell standard pipe nationwide, although some will locate mills in selected geographic regions to ensure prompt shipment of the pipe to customers. Fewer importers reported selling the subject pipe nationwide; rather they reported selling to certain regions such as the Gulf Coast, East Coast, or West Coast, depending on the port of importation.

There was testimony at the conference that imports from the subject countries are geographically concentrated in the Gulf Coast and Southeast regions<sup>27</sup> because the imported pipe was not shipped far from the port of entry, i.e., Houston, New Orleans, Mobile, Tampa, and Savannah,<sup>28</sup> and because U.S. producers are generally unwilling and/or unable to compete in those regions.<sup>29</sup>

## THE U.S.MARKET

### Apparent U.S. Consumption

Data on apparent U.S. consumption of standard pipe based on U.S. producers' shipments as reported in Commission questionnaires and official U.S. import statistics are presented in table 2 and figure 1.<sup>30</sup> Apparent consumption, by quantity and by value, increased during 1992-94. During the period of investigation, the economy improved in general and demand for standard pipe increased, especially in non-residential construction. There have also been increases in the home remodeling and light residential remodeling businesses.

#### U.S. Producers<sup>31</sup>

According to the petition, there were 22 U.S. producers of standard pipe during 1992-94.<sup>32</sup> Seven of these firms are petitioners,<sup>33</sup> as shown in the following tabulation:

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<sup>26</sup> Eight U.S. producers reported selling standard pipe to end users such as building contractors and original equipment manufacturers, but in much smaller quantities than sales to distributors.

<sup>27</sup> In 1994, almost 70 percent of the imports from Romania and 60 percent of the imports from South Africa (based on official statistics) entered through ports on the Gulf Coast (Houston, New Orleans, Miami, and Tampa).

<sup>28</sup> Conference transcript, p. 106 and pp. 129-130; Fulbright & Jaworski, postconference brief, pp. 8-9.

<sup>29</sup> Conference transcript, pp. 154-155 and 160-162. Counsel for petitioners argues that most U.S. producers sell nationwide to the same geographic regions that the imports enter; postconference brief, p. 8.

<sup>30</sup> Apparent U.S. consumption with Canadian imports adjusted to reflect petitioners' argument that mechanical tubing from Canada is included in the official statistics is presented in table A-2.

<sup>31</sup> U.S. production facilities of those firms known to produce standard pipe are concentrated in the Eastern and Central states.

<sup>32</sup> Petition, vol. I, ex. 1. IPSCO, a subsidiary of IPSCO Inc., Canada, was not listed in the petition but provided data in response to the Commission's questionnaire. IPSCO, Camanche, IA, has two ERW mills which produce standard pipe with 2-3/8 inch to 8-5/8 inch diameters.

<sup>33</sup> Petitioners account for 76 percent of reported 1994 U.S. production of standard pipe.

Table 2

Standard pipe: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94

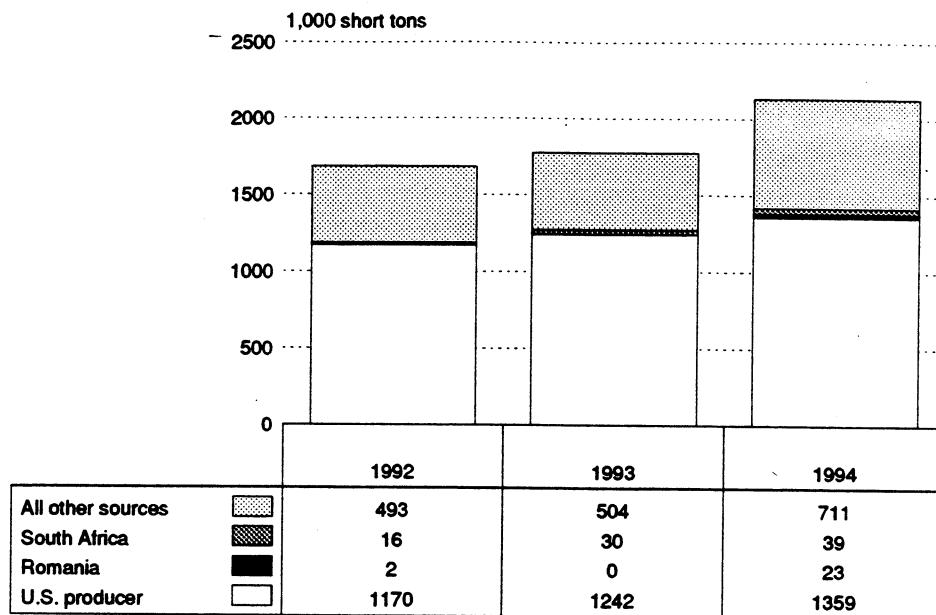
Item	1992	1993	1994
<i>Quantity (short tons)</i>			
Producers' U.S. shipments . . . . .	1,170,140	1,242,231	1,359,314
U.S. imports from--			
Romania . . . . .	1,514	0	23,033
South Africa . . . . .	16,340	30,357	38,789
Subtotal . . . . .	17,854	30,357	61,823
Other sources . . . . .	493,214	503,562	710,733
Total . . . . .	511,068	533,918	772,556
Apparent consumption . . . . .	1,681,208	1,776,149	2,131,870
<i>Value (1,000 dollars)</i>			
Producers' U.S. shipments . . . . .	674,590	735,947	852,780
U.S. imports from--			
Romania . . . . .	616	0	9,155
South Africa . . . . .	7,088	12,932	17,920
Subtotal . . . . .	7,704	12,932	27,075
Other sources . . . . .	270,542	279,131	404,210
Total . . . . .	278,246	292,064	431,285
Apparent consumption . . . . .	952,836	1,028,011	1,284,065

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

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

**Figure 1**

Standard pipe: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94



Source: Table 2.

<u>Petitioning firm</u>	<u>Plant location</u>
Allied Tube . . . . .	Harvey, IL
Armco/Sawhill . . . . .	Sharon, PA
Century Tube . . . . .	Pine Bluff, AR
Laclede Steel . . . . .	St. Louis, MO
LTV Steel . . . . .	Cleveland, OH
Sharon Tube . . . . .	Sharon, PA
Wheatland Tube . . . . .	Wheatland, PA

The Commission sent questionnaires to 24 producers identified in the petition or which responded to Commission questionnaires in related investigations. Twenty firms responded, 17 of which provided usable data on standard pipe.<sup>34</sup> Four firms did not respond to the questionnaire.<sup>35</sup>

Of the 17 U.S. producers that provided the Commission with usable questionnaire responses, 16 (representing virtually all of reported U.S. production of standard pipe in 1994) support the

<sup>34</sup> \*\*\*.

<sup>35</sup> \*\*\*. Berger Industries was liquidated in bankruptcy in Mar. 1994. \*\*\*.

petition, and 1 (representing \*\*\* percent) opposes the petition.<sup>36</sup> Table 3 presents a list of these firms, their shares of production in 1994, and their positions regarding the petitions.

In its most recent antidumping investigations concerning standard pipe, the Commission found that there were 21 firms producing standard pipe in 1991.<sup>37</sup> Three firms have closed their standard pipe facilities since 1991. U.S. Steel closed its Fairless Hills, PA, facility in May 1991. Since the closing, Laclede Steel leased and has begun operating a portion of the facility.<sup>38</sup> During January 1993, Allied Tube closed its facility in Liberty, TX, that it acquired from National Pipe in 1990.<sup>39</sup> Welded Tube's Eagle Pipe Division ceased operations on December 1, 1993, and Berger Industries was liquidated in bankruptcy on March 14, 1994. Wheatland Tube acquired the Omega facility of Western Tube in 1992,<sup>40</sup> which produces mechanical tubing, fence products, and conduit pipe.<sup>41</sup>

Three of the petitioning firms (Laclede Steel, LTV Steel, and Armco/Sawhill) are integrated.<sup>42</sup> Laclede Steel produces its own feedstock in an electric furnace from steel scrap at its plant in East Alton, IL, and LTV Steel and Armco/Sawhill reported that they purchased hot-rolled coils from both related and unrelated parties on an arm's-length basis.<sup>43</sup> The non-integrated companies dominate the industry.

Some U.S. producers purchase unfinished<sup>44</sup> and finished standard pipe from other domestic producers, usually because they do not produce the pipe in the diameters needed to supply customers' orders.<sup>45</sup> The majority of the responding producers are also capable of producing other types of pipe such as line pipe, OCTG, electrical conduit, mechanical tube, and hollow structural sections.

### U.S. Importers

Questionnaires were sent to approximately 50 firms that the Commission believed could be importing standard pipe from Romania and South Africa.<sup>46</sup> The Commission received usable data from 14 companies. Four firms reported that they did not import the subject pipe covered by the questionnaire. Companies responding to the Commission's questionnaire accounted for 87 percent, by volume, of 1994 imports (based on official Commerce data) from Romania,<sup>47</sup> 66 percent of such imports from South Africa,<sup>48</sup> and 73 percent of cumulated imports from the subject countries.<sup>49</sup>

<sup>36</sup> \*\*\*.

<sup>37</sup> *Certain Circular, Welded, Non-Alloy Steel Pipes and Tubes from Brazil, Korea, Mexico, Romania, Taiwan, and Venezuela*, USITC Pub. 2564, Oct. 1992 (92 Report).

<sup>38</sup> \*\*\*.

<sup>39</sup> A portion of this facility was purchased by Maverick Tube and now produces structural tubing.

<sup>40</sup> Western Tube \*\*\*.

<sup>41</sup> Conference transcript, pp. 35-36.

<sup>42</sup> Petitioner defines integrated producers as vertically integrated companies or a group of related companies which produce steel from iron ore and use that steel to produce a range of semifinished and finished steel products. The divisions or subsidiaries producing the downstream finished products, such as pipe, are generally captive purchasers or transferees of the related semifinished steel operations; 92 Report.

<sup>43</sup> Petition, vol. II, p. 14.

<sup>44</sup> For example, \*\*\*.

<sup>45</sup> \*\*\*.

<sup>46</sup> Approximately 25 of these questionnaires were sent to U.S. producers of standard pipe. Three of these firms indicated that they imported the subject product during 1992-94. \*\*\*. \*\*\*. \*\*\*.

<sup>47</sup> \*\*\*.

<sup>48</sup> \*\*\*.

<sup>49</sup> Three companies, \*\*\*, reported imports from the following nonsubject countries: \*\*\*.

**Table 3**  
**Standard pipe: U.S. producers, their shares of 1994 production, and positions regarding the petitions**

Firm	Share of reported 1994 standard pipe production <i>Percent</i>	Position regarding petitions
<b>Petitioning firms:</b>		
Allied Tube . . . . .	***	Supports
Armco/Sawhill . . . . .	***	Supports
Century Tube . . . . .	***	Supports
Laclede Steel . . . . .	***	Supports
LTV Steel . . . . .	***	Supports
Sharon Tube . . . . .	***	Supports
Wheatland Tube . . . . .	***	Supports
<b>Non-petitioning firms:</b>		
American Tube . . . . .	***	***
Bull Moose . . . . .	***	***
California Steel . . . . .	***	***
IPSCO . . . . .	***	***
Maruichi . . . . .	***	***
Maverick Tube . . . . .	***	***
Newport Steel . . . . .	***	***
Paragon . . . . .	***	***
United Tube . . . . .	***	***
USX . . . . .	***	***
Welded Tube/Eagle . . . . .	***	***
Western Tube . . . . .	***	***

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

## CONSIDERATION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury." Information on the other factors specified is presented in this section and (except as noted) is based on the questionnaire responses of 17 firms that accounted for nearly all U.S. production of standard pipe during 1994.

### U.S. Production, Capacity, and Capacity Utilization

Table 4 and figure 2 present data on U.S. producers' production and capacity to produce standard pipe during 1992-94. Reported U.S. production of standard pipe increased throughout 1992-94 while production capacity declined somewhat between 1992-93 and then increased to its highest level in 1994. Most standard pipe producers also produce products not subject to these investigations.<sup>50</sup> These companies reported that, for the most part, minimal modifications or adjustments to equipment were necessary to produce other products and their product mix is determined by market demand.<sup>51</sup> In addition, U.S. producers do not individually produce all types of standard pipe.<sup>52</sup> Sharon Tube produces standard pipe in sizes as small as 1/8 inch to 1 inch (accounting for less than \*\*\* percent of Sharon Tube's standard pipe production) and supplements its product range with purchases from other U.S. producers in order to provide a full range of standard pipe. Sharon Tube also sells its small diameter pipe to other U.S. producers in order for them to fill their product lines.<sup>53</sup> Century produces fence pipe and tube used for chain link fence frameworks. Century developed proprietary schedule 40 fence products that have less steel, thinner walls, wider weight, but equivalent tensile strengths as the imported product.<sup>54</sup> Wheatland has a size limitation of 4½ inches in outside diameter and purchases larger sizes from other U.S. producers.<sup>55</sup>

### U.S. Producers' Shipments

Table 5 presents data on U.S. producers' shipments during 1992-94. The volume and value of U.S. shipments of standard pipe increased during the period for which data were collected. Seven producers reported exports of standard pipe, mostly to Canada.

### U.S. Producers' Inventories

Inventory data were supplied by all responding producers of standard pipe during 1992-94 (table 6). End-of-period inventories declined between 1992 and 1993 and then increased somewhat in 1994 but to levels lower than in 1992.

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<sup>50</sup> The majority of responding producers were able to allocate their total production capacity to their capacity to produce standard pipe (\*\*\*)�.

<sup>51</sup> Some producers noted that because the oil and gas industries have been depressed the focus has been more on production of standard pipe than on OCTG. See also conference transcript, p. 109.

<sup>52</sup> Conference transcript, p. 61.

<sup>53</sup> Conference transcript, pp. 24-25.

<sup>54</sup> Ibid, pp. 32-33.

<sup>55</sup> Ibid, pp. 62 and 64.

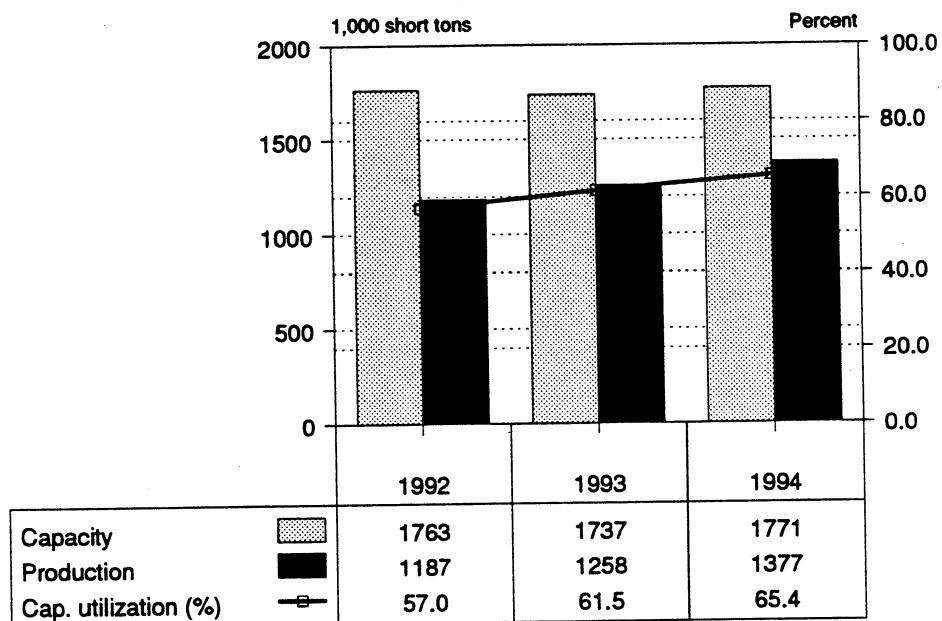
**Table 4**  
**Standard pipe: U.S. capacity, production, and capacity utilization, 1992-94**

Item	1992	1993	1994
End-of-period capacity ( <i>short tons</i> ) . . .	1,975,443	1,971,247	2,047,875
Average-of-period capacity ( <i>short tons</i> ) . . . . .	1,762,758	1,736,537	1,770,712
Production ( <i>short tons</i> ) . . . . .	1,187,160	1,258,194	1,377,165
End-of-period capacity utilization (percent) . . . . .	60.1	63.8	67.2
Average-of-period capacity utilization (percent) . . . . .	57.0	61.5	65.4

Note.--Capacity utilization is calculated using data where both comparable capacity and production information were supplied.

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

**Figure 2**  
**Standard pipe: U.S. average-of-period capacity, production, and capacity utilization, 1992-94**



Source: Table 4

**Table 5**  
Standard pipe: Shipments by U.S. producers, by types, 1992-94

<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Quantity (short tons)</u>			
Company transfers . . . . .	***	***	***
Domestic shipments . . . . .	***	***	***
Subtotal . . . . .	1,170,140	1,242,231	1,359,314
Exports . . . . .	11,648	18,993	17,839
Total . . . . .	1,181,788	1,261,224	1,377,153
<u>Value (1,000 dollars)</u>			
Company transfers . . . . .	***	***	***
Domestic shipments . . . . .	***	***	***
Subtotal . . . . .	674,590	735,947	852,780
Exports . . . . .	5,727	11,601	12,010
Total . . . . .	680,317	747,548	864,790
<u>Unit value (per short ton)</u>			
Company transfers . . . . .	\$***	\$***	\$***
Domestic shipments . . . . .	***	***	***
Average . . . . .	576.50	592.44	627.36
Exports . . . . .	491.67	610.80	673.24
Average . . . . .	575.67	592.72	627.95

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

**Table 6**  
Standard pipe: End-of-period inventories of U.S. producers, 1992-94

<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Inventories (short tons) . . . . .	170,020	167,370	168,260
Ratio of inventories to--			
Production (percent) . . . . .	14.3	13.3	12.2
U.S. shipments (percent) . . . . .	14.5	13.5	12.4
Total shipments (percent) . . . . .	14.4	13.3	12.2

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

## **Employment, Wages, Compensation, and Productivity**

The U.S. producers' employment and productivity data are presented in table 7. Employment, hours worked, total wages, and total compensation increased throughout 1992-94. U.S. producers that produce products such as line pipe, OCTG, etc., reportedly use the same equipment and PRWs used to produce standard pipe.

### **Financial Experience of U.S. Producers**

All 17 producers that furnished usable questionnaire responses on standard pipe furnished financial data on both their operations producing standard pipe and their overall establishment operations.<sup>56</sup> Wheatland Tube purchased the assets of Omega on July 1, 1992 for \*\*\* million. Western Tube, which sold Omega, \*\*\*. Maverick Tube started production of the subject product in \*\*\*. USX closed its plant in May 1991.

In 1992 and thereafter, USX supplied raw material, hot-rolled bands, to Camp Hill, which converted the raw material into the subject product under a tolling agreement. Camp Hill leases its production facility from USX and produces the subject product \*\*\*<sup>57</sup> \*\*\*.

### **Standard Pipe Operations**

The aggregate income-and-loss data of the reporting producers on their standard pipe operations are presented in table 8 and figure 3. Net sales value increased by 27 percent whereas quantity rose by 18 percent from 1992 to 1994. The increase in the sales value is higher than sales quantity because average net sales value per short ton rose in each period from \$575.24 in 1992 to \$622.05 in 1994.

Operating income dropped from 1992 to 1993 and improved somewhat in 1994. The operating income margin declined from 6.3 percent in 1992 to 4.8 percent in 1994 because average cost of goods sold per short ton rose more than the average net sales value per short ton (12 percent and 8 percent, respectively). All responding producers did not provide the major components of cost of goods sold. However, the available data on the major components of cost of goods sold indicate that almost all the increase in the total cost of goods sold was due to a rise in raw material costs. Average selling, general, and administrative expenses per short ton declined by about 14 percent during 1992-94. Four firms reported operating losses in 1992, increasing to five in 1993 and 1994. Selected income-and-loss data of the U.S. producers, by firms, are shown in table 9.

### **Overall Establishment Operations**

USX did not provide establishment data because it does not produce the subject product in its establishment. Net sales of standard pipe, excluding USX's net sales, accounted for an average of 29 percent of overall establishment operation net sales during 1992-94. The aggregate income-and-loss data of the reporting producers on their overall establishment operations are presented in table 10.

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<sup>56</sup> All of the producers that did not furnish usable questionnaire responses produced standard pipe throughout the period for which information was requested, with the exception of Berger Industries. Berger Industries ceased operations in Mar. 1994.

<sup>57</sup> Telephone conversation with \*\*\*.

Table 7

Average number of production and related workers in U.S. establishments wherein standard pipe is produced, hours worked,<sup>1</sup> wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,<sup>2</sup> by products, 1992-94

Item	1992	1993	1994
Number of production and related workers (PRWs)			
All products . . . . .	5,018	5,227	5,770
Standard pipe . . . . .	2,045	2,142	2,638
Hours worked by PRWs (1,000 hours)			
All products . . . . .	10,482	11,220	12,267
Standard pipe . . . . .	4,305	4,675	4,816
Wages paid to PRWs (1,000 dollars)			
All products . . . . .	166,811	180,736	191,732
Standard pipe . . . . .	66,573	72,216	73,964
Total compensation paid to PRWs (1,000 dollars)			
All products . . . . .	241,283	260,009	275,837
Standard pipe . . . . .	92,627	98,096	101,209
Hourly wages paid to PRWs			
All products . . . . .	\$15.91	\$16.11	\$15.63
Standard pipe . . . . .	15.46	15.45	15.36
Hourly total compensation paid to PRWs			
All products . . . . .	\$23.02	\$23.17	\$22.49
Standard pipe . . . . .	21.52	20.98	21.02
Productivity (short tons per 1,000 hours)			
Standard pipe . . . . .	274.4	266.0	274.0
Unit labor costs (per short ton)			
Standard pipe . . . . .	\$78.43	\$78.89	\$76.69

<sup>1</sup> Includes hours worked plus hours of paid leave time.

<sup>2</sup> On the basis of total compensation paid.

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

**Table 8**  
 Income-and-loss experience of U.S. producers on their operations producing standard pipe, fiscal years  
 1992-94<sup>1</sup>

Item	1992 <sup>2</sup>	1993	1994 <sup>3</sup>
<i>Quantity (short tons)</i>			
Trade sales . . . . .	1,037,905	1,142,812	1,258,757
Company transfers . . . . .	<u>136,877</u>	<u>115,021</u>	<u>121,618</u>
Total . . . . .	<u>1,174,782</u>	<u>1,257,833</u>	<u>1,380,375</u>
<i>Value (1,000 dollars)</i>			
Net sales:			
Trade sales . . . . .	600,256	676,422	789,636
Company transfers . . . . .	<u>75,530</u>	<u>64,190</u>	<u>69,030</u>
Total . . . . .	<u>675,786</u>	<u>740,612</u>	<u>858,666</u>
Cost of goods sold . . . . .	<u>582,219</u>	<u>651,076</u>	<u>765,350</u>
Gross profit . . . . .	93,567	89,536	93,316
Selling, general, and administrative expenses . . . . .	<u>51,267</u>	<u>50,000</u>	<u>51,795</u>
Operating income . . . . .	42,300	39,536	41,521
Interest expense . . . . .	10,028	10,265	11,811
Other expense items . . . . .	3,463	3,287	2,938
Other income items . . . . .	<u>1,700</u>	<u>1,584</u>	<u>2,302</u>
Net income before income taxes . . . . .	30,509	27,568	29,074
Depreciation and amortization . . . . .	<u>11,832</u>	<u>11,906</u>	<u>13,368</u>
Cash flow <sup>4</sup> . . . . .	<u>42,341</u>	<u>39,474</u>	<u>42,442</u>
<i>Ratio to net sales (percent)</i>			
Cost of goods sold . . . . .	86.2	87.9	89.1
Gross profit . . . . .	13.8	12.1	10.9
Selling, general, and administrative expenses . . . . .	7.6	6.8	6.0
Operating income . . . . .	6.3	5.3	4.8
Net income before income taxes . . . . .	<u>4.5</u>	<u>3.7</u>	<u>3.4</u>
<i>Number of firms reporting</i>			
Operating losses . . . . .	4	5	5
Net losses . . . . .	5	5	6
Data . . . . .	<u>16</u>	<u>16</u>	<u>17</u>

Table continued on next page. See footnotes at end of table.

Table 8--Continued

Income-and-loss experience of U.S. producers on their operations producing standard pipe, fiscal years 1992-94<sup>1</sup>

Item	1992 <sup>2</sup>	1993	1994 <sup>3</sup>
	<i>Value (per short ton)</i>		
<b>Net sales:</b>			
Trade sales . . . . .	\$578.33	\$591.89	\$627.31
Company transfers . . . . .	551.81	558.07	567.60
Average . . . . .	575.24	588.80	622.05
Cost of goods sold . . . . .	495.60	517.62	554.45
Gross profit . . . . .	79.65	71.18	67.60
Selling, general, and administrative expenses . . . . .	43.64	39.75	37.52
Operating income . . . . .	36.01	31.43	30.08
Other expense, net . . . . .	10.04	9.51	9.02
Net income before income taxes . . . . .	25.97	21.92	21.06

<sup>1</sup> These producers are \*\*\*. Fiscal year for all producers ends on Dec. 31, except \*\*\*, which ends on June 30; \*\*\*, which ends on Sept. 30; and \*\*\*, which ends on Oct. 31. Both \*\*\* supplied data on a calendar-year basis.

<sup>2</sup> Wheatland Tube acquired assets of Omega in July of 1992. Western Tube, which sold Omega, \*\*\*.

<sup>3</sup> \*\*\*.

<sup>4</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

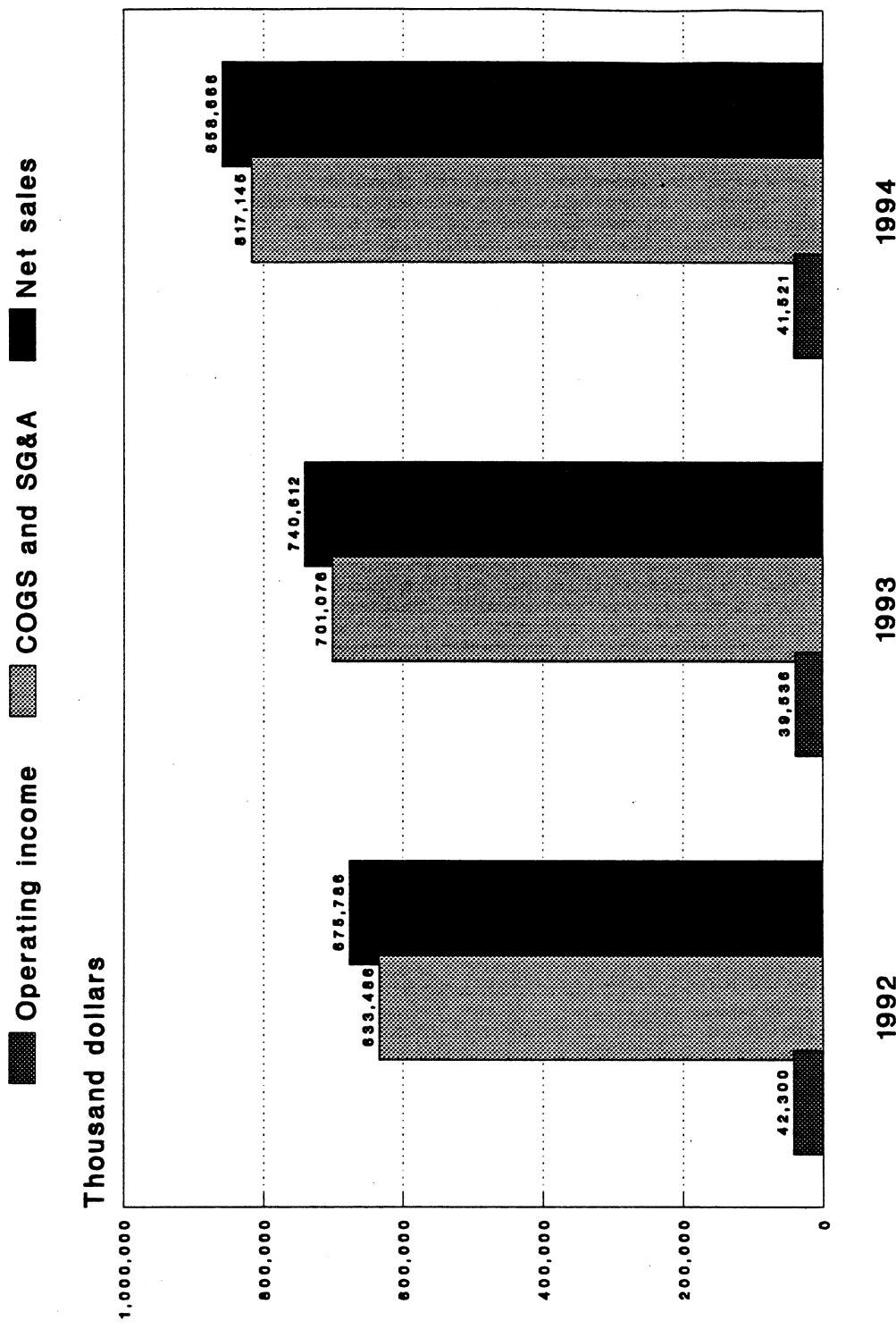
Table 9

Income-and-loss experience of U.S. producers on their operations producing standard pipe, by firms, fiscal years 1992-94

\* \* \* \* \*

**Figure 3**  
Standard Pipe: Income and Loss

**Figure 3**  
Standard pipe: Income and loss



Source: Table 8.

Table 10

Income-and-loss experience of U.S. producers on the overall operations of their establishments  
wherein standard pipe is produced, fiscal years 1992-94<sup>1</sup>

Item	1992	1993	1994
<i>Value (1,000 dollars)</i>			
Net sales:			
Trade sales . . . . .	2,245,237	2,519,573	3,030,453
Company transfers . . . . .	13,439	13,630	19,646
Total . . . . .	2,258,676	2,533,203	3,050,099
Cost of goods sold . . . . .	1,957,400	2,174,354	2,644,401
Gross profit . . . . .	301,276	358,849	405,698
Selling, general, and administrative expenses . . . . .	175,722	181,958	200,986
Operating income . . . . .	125,554	176,891	204,712
Interest expense . . . . .	34,295	34,975	40,324
Other expense items . . . . .	17,618	13,764	9,655
Other income items . . . . .	4,192	4,480	12,063
Net income before income taxes . . . . .	77,833	132,632	166,796
Depreciation and amortization . . . . .	45,819	51,663	56,771
Cash flow <sup>2</sup> . . . . .	123,652	184,295	223,567
<i>Ratio to net sales (percent)</i>			
Cost of goods sold . . . . .	86.7	85.8	86.7
Gross profit . . . . .	13.3	14.2	13.3
Selling, general, and administrative expenses . . . . .	7.8	7.2	6.6
Operating income . . . . .	5.6	7.0	6.7
Net income before income taxes . . . . .	3.4	5.2	5.5
<i>Number of firms reporting</i>			
Operating losses . . . . .	2	4	3
Net losses . . . . .	3	4	3
Data . . . . .	15	15	16

<sup>1</sup> These producers are \*\*\*. Fiscal year for all producers ends on Dec. 31, except \*\*\*, which ends on June 30; \*\*\*, which ends on Sept. 30; and \*\*\*, which ends on Oct. 31. Both \*\*\* supplied data on a calendar-year basis.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

## Investment in Productive Facilities

Thirteen U.S. producers, accounting for 76 percent of reported U.S. production of the subject product, provided total assets in 1994 whereas 14 U.S. producers, accounting for \*\*\* percent of reported U.S. production of the subject product, supplied their investment in property, plant, and equipment in 1994. These assets along with the return on book value and total assets for these reporting producers are shown in table 11.

**Table 11**  
Value of assets and return on assets of U.S. producers' establishments wherein standard pipe is produced, by products, fiscal years 1992-94

Item	1992	1993	1994
<i>Value (1,000 dollars)</i>			
<b>All products:</b>			
Fixed assets:			
Original cost .....	963,542	1,022,095	1,171,533
Book value .....	524,121	535,443	633,600
Total assets <sup>1</sup> .....	1,395,200	1,485,366	1,721,972
<b>Standard pipe:</b>			
Fixed assets:			
Original cost .....	181,071	179,557	191,024
Book value .....	103,053	101,549	106,911
Total assets <sup>2</sup> .....	356,291	326,927	378,612
<i>Return on book value of fixed assets (percent)<sup>3</sup></i>			
<b>All products:</b>			
Operating return <sup>4</sup> .....	24.0	33.0	32.3
Net return <sup>5</sup> .....	14.9	24.8	26.3
<b>Standard pipe:</b>			
Operating return <sup>4</sup> .....	38.2	37.3	34.9
Net return <sup>5</sup> .....	29.3	28.6	27.1
<i>Return on total assets (percent)<sup>3</sup></i>			
<b>All products:</b>			
Operating return <sup>4</sup> .....	8.8	12.0	11.7
Net return <sup>5</sup> .....	5.6	9.1	9.6
<b>Standard pipe:</b>			
Operating return <sup>4</sup> .....	10.9	11.9	9.7
Net return <sup>5</sup> .....	8.5	9.2	7.5

<sup>1</sup> Defined as book value of fixed assets plus current and noncurrent assets.

<sup>2</sup> Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.

<sup>3</sup> Computed using data from only those firms supplying both comparable asset and income-and-loss information and, as such, may not be derivable from data presented.

<sup>4</sup> Defined as operating income or loss divided by asset value.

<sup>5</sup> Defined as net income or loss divided by asset value.

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

## **Capital Expenditures**

Fourteen U.S. producers reported capital expenditures on standard pipe operations in 1994, which are presented in table 12.

## **Research and Development Expenses**

Only 5 U.S. producers reported research and development expenses in 1994 which are also shown in table 12.

**Table 12**

Capital expenditures by and research and development expenses of U.S. producers of standard pipe, by products, fiscal years 1992-94

<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>All products:</b>			
Capital expenditures . . . . .	77,818	85,292	110,290
Research and development expenses . . . . .	930	1,223	1,876
<b>Standard pipe:</b>			
Capital expenditures . . . . .	41,996	27,081	15,701
Research and development expenses . . . . .	373	372	601

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

## **Capital and Investment**

The Commission requested U.S. producers to describe and explain the actual and potential negative effects of imports of standard pipe from Romania and South Africa on their growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of subject pipe and tube). The producers' responses are presented in appendix D.

## **CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES**

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in the section entitled "Consideration of Material Injury to an Industry in the United States." Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

### **U.S. Importers' Inventories**

The majority of U.S. importers reported that they do not maintain inventories of standard pipe in the United States and instead order from Romanian and South African suppliers on behalf of their customers. There were no reported inventories of Romanian standard pipe. Inventories of standard pipe from South Africa \*\*\* short tons in 1992 to \*\*\* short tons in 1993 and then \*\*\* short tons in 1994.<sup>58</sup>

In its questionnaire the Commission asked firms to report future contracts for importing standard pipe from Romania and South Africa after December 31, 1994. Responding importers reported a total of \*\*\* short tons from Romania<sup>59</sup> and \*\*\* short tons from South Africa<sup>60</sup> during January-August 1995.<sup>61</sup>

### **Ability of Foreign Producers to Generate Exports and the Availability of Export Markets other than the United States**

#### **The Industry in Romania**

The petition listed two firms believed to produce the subject standard pipes in Romania. According to counsel, Tepro is the only Romanian producer/exporter of standard pipe. Tepro exports its standard pipe through the following trading companies: Metalexportimport, Metanef, and Metagrimex, accounting for 63 percent, 30 percent, and 7 percent of exports to the United States in 1994, respectively. Standard pipe accounted for \*\*\* percent of Tepro's sales in 1994. Data on Tepro's production and shipments of standard pipe were provided by counsel in response to the Commission's foreign producer questionnaire and are presented in table 13. Tepro's capacity to produce standard pipe \*\*\*. According to counsel, Tepro has experienced significant problems in obtaining hot-rolled coil from its domestic supplier, Sidex.<sup>62</sup> Tepro stated in its questionnaire response that the standard pipe it produces for the home market \*\*\*. The inventories reported by

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<sup>58</sup> Inventories of South African product were reported by \*\*\* in 1992, \*\*\* in 1993, and \*\*\* in 1994.

<sup>59</sup> Questionnaire responses of \*\*\*.

<sup>60</sup> Questionnaire responses of \*\*\*.

<sup>61</sup> Fulbright & Jaworski, postconference brief, ex. 5, provides \*\*\*. Such exports from South Africa to the United States in 1995 are expected to be less than \*\*\* metric tons.

<sup>62</sup> Venable, postconference brief, pp. 21-22, ex. 2.

**Table 13**  
**Standard pipe: Romania's capacity, production, inventories, capacity utilization, and shipments, 1992-94 and projected 1995-96**

\* \* \* \* \*

Tepro are inventories of subject product \*\*\*.<sup>63</sup> Tepro's principal export markets other than the United States are \*\*\*.

Standard pipe from Romania is subject to an antidumping finding in Canada (1991)<sup>64</sup> and a price undertaking in the EU. In April 1990, the EU imposed provisional duties of 22.0 percent on certain welded steel pipe and tube products, including standard pipe, from Romania.<sup>65</sup>

### The Industry in South Africa

The petition identified three firms believed to produce the subject pipe exported to the United States. According to counsel, TOSA and Brollo are the largest South African producers of standard pipe.<sup>66</sup> TOSA was acquired by the Barlow Group in October 1994. Since its acquisition, TOSA has been undergoing a process of "rationalization" and is in the process of dismantling its factory and transferring the majority of the equipment to Brollo.<sup>67</sup> These firms are divisions of the RIH Group.<sup>68</sup>

Data on TOSA's and Brollo's production and shipments of standard pipe were provided by counsel in response to the Commission's foreign producer questionnaire and are presented in table 14. From 1986 to July 1991, the CAAA was in effect, which prohibited the importation of standard pipe from South Africa. Counsel for the South African producers/exporters testified at the conference that orders and imports of standard pipe did not actually start until mid-1992 and that South Africa's import levels during 1992-94 were merely returning to the levels that existed prior to the importation ban.<sup>69</sup> TOSA's and Brollo's sales of standard pipe accounted for \*\*\* percent and \*\*\* percent of their total sales in 1994, respectively. TOSA and Brollo accounted for \*\*\* percent of

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<sup>63</sup> Respondents testified that Tepro's plant is badly outdated with most of the machinery used to produce standard pipe being 20 to 30 years old. The testing equipment is old and unreliable and the pipe produced does not meet ASTM hydrostatic tests for most sizes of pipe. The machinery used to galvanize the pipe is old and the lacquer applied to the pipe is inferior in finish and coating; conference transcript, pp. 119-121.

<sup>64</sup> Ex. 10, vol. II, of the petition contains a copy of the Canadian tribunal's findings. See also petitioners' postconference brief, p. 29. The investigation resulted in setting Canadian import minimum prices. Canada set surcharges on the subject Romanian exports, which resulted in an average price of \$490 to \$510 per ton.

<sup>65</sup> Subsequently, the EU accepted a price undertaking from Metalexportimport in lieu of the 22 percent provisional duties; petition, vol. II, ex. 11. This agreement needs to be renegotiated to be compatible with the steel trade stipulations of the EU-Romania Association agreement.

<sup>66</sup> Hall Longmore produces line pipe; conference transcript, p. 95.

<sup>67</sup> The closure of the TOSA factory is scheduled for completion in Sept. 1996, which is expected to result in a \*\*\* percent reduction in South Africa's standard pipe capacity; TOSA's foreign producer questionnaire; conference transcript, pp. 141-142, and Fulbright & Jaworski, postconference brief, pp. 16-17, ex. 2.

<sup>68</sup> Conference transcript, pp. 94-95 and p. 140. Robor Industrial Holdings is the trading arm for the RIH Group.

<sup>69</sup> Conference transcript, pp. 94-97, 103, and 107; Fulbright & Jaworski, postconference brief, pp. 6-8.

**Table 14**  
Standard pipe: South Africa's capacity, production, inventories, capacity utilization, and shipments, 1992-94 and projected 1995-96

\* \* \* \* \*

South Africa's total production and \*\*\* percent of total exports of standard pipe in 1994.<sup>70</sup> \*\*\*. South Africa's principal other export markets are \*\*\*. According to counsel, South Africa does not intend to increase its exports to the United States in the future for the following reasons: (1) economic conditions have been improving and there is increased demand for housing;<sup>71</sup> (2) the "rationalization" process now underway will eliminate a portion of the existing production capacity; and (3) demand for South African standard pipe is strong in many other countries that it supplies, which will limit future exports to the United States.<sup>72</sup>

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

##### **U.S. Imports**

U.S. imports of standard pipe are presented in table 15 and figure 4.<sup>73</sup> Imports of standard pipe subject to these investigations are provided for under subheadings 7306.30.10 and 7306.30.50 of the HTS. Of the approximately 25 importers that received questionnaires, 13 responded, all of which provided usable data on imports and shipments of those imports. Based on official statistics for standard pipe, responding importers accounted for \*\*\* percent and 63 percent, by quantity, of imports in 1994 from Romania and South Africa, respectively. Although petitioners raised the issue of mechanical tubing products being included with imports of standard pipe from Canada, data in this section of the report regarding the quantity and value of U.S. imports of standard pipe are based on Commerce statistics. Table 15 also presents U.S. imports of standard pipe with the imports from Canada adjusted to account for possible inclusion of mechanical pipe which is not included in the

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<sup>70</sup> TOSA, Brollo, and Bartons account for \*\*\* percent of South African exports to the United States; Fulbright & Jaworski, postconference brief, p. 18.

<sup>71</sup> South Africa's RDP plans to build a million new housing units, as well as new schools, hospitals, and other social infrastructure projects, over the next five years; Fulbright & Jaworski, postconference brief, pp. 16-17, ex. 4.

<sup>72</sup> Conference transcript, pp. 97-98.

<sup>73</sup> The data presented in table 15 are rounded and the shares of total quantity and value are calculated from the rounded figures. Romania's share of the total quantity of imports in 1994 calculated from unrounded data is 2.98 percent. The most recent 12-month period preceding the filing of the petition for which Commerce data are available is Apr. 1994-Mar. 1995. During this period, the quantity of imports was 31,486 short tons from Romania, 40,252 short tons from South Africa, and 806,166 short tons total. Romania's share of the total quantity of imports in that period was 3.9 percent and South Africa's share was 5.0 percent. For the period Jan.-Mar. 1995, the quantity of imports was 12,373 short tons from Romania, 8,084 short tons from South Africa, and 210,502 short tons total.

**Table 15**  
**Standard pipe: U.S. imports, by products and by sources, 1992-94**

Item	1992	1993	1994
			Quantity ( <i>short tons</i> )
<b>Standard pipe:</b>			
Romania . . . . .	1,514	0	23,033
South Africa . . . . .	16,340	30,357	38,789
Subtotal . . . . .	17,854	30,357	61,823
<b>Nonsubject sources:</b>			
Canada . . . . .	139,824	188,502	216,731
Other sources . . . . .	353,390	315,060	494,002
Subtotal . . . . .	493,214	503,562	710,733
Total . . . . .	511,068	533,918	772,556
<b>Standard pipe (with Canadian adjustment):</b>			
Romania . . . . .	1,514	0	23,033
South Africa . . . . .	16,340	30,357	38,789
Subtotal . . . . .	17,854	30,357	61,823
<b>Nonsubject sources:</b>			
Canada <sup>1</sup> . . . . .	33,962	46,191	38,483
Other sources . . . . .	353,390	315,060	494,002
Subtotal <sup>1</sup> . . . . .	387,352	361,251	532,485
Total . . . . .	405,206	391,607	594,308
<b>Value (1,000 dollars)</b>			
<b>Standard pipe:</b>			
Romania . . . . .	616	0	9,155
South Africa . . . . .	7,088	12,932	17,920
Subtotal . . . . .	7,704	12,932	27,075
<b>Nonsubject sources:</b>			
Canada . . . . .	89,018	121,357	151,785
Other sources . . . . .	181,524	157,775	252,425
Subtotal . . . . .	270,542	279,131	404,210
Total . . . . .	278,246	292,064	431,285
<b>Standard pipe (with Canadian adjustment):</b>			
Romania . . . . .	616	0	9,155
South Africa . . . . .	7,088	12,932	17,920
Subtotal . . . . .	7,704	12,932	27,075
<b>Nonsubject sources:</b>			
Canada <sup>1</sup> . . . . .	17,312	20,302	18,954
Other sources . . . . .	181,524	157,775	252,425
Subtotal <sup>1</sup> . . . . .	198,836	178,077	271,379
Total . . . . .	206,540	191,009	298,454

Table continued on following page.

Table 15--Continued  
Standard pipe: U.S. imports, by products and by sources, 1992-94

<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Unit value (per short ton)</u>			
<b>Standard pipe:</b>			
Romania . . . . .	\$407.04	(2)	\$397.48
South Africa . . . . .	<u>433.81</u>	<u>\$426.02</u>	<u>461.98</u>
Average . . . . .	431.54	426.02	437.95
<b>Nonsubject sources:</b>			
Canada . . . . .	636.65	643.80	700.34
Other sources . . . . .	<u>513.67</u>	<u>500.78</u>	<u>510.98</u>
Average . . . . .	<u>548.53</u>	<u>554.32</u>	<u>568.72</u>
Average . . . . .	544.45	547.02	558.26
<b>Standard pipe (with Canadian adjustment):</b>			
Romania . . . . .	407.04	(2)	397.48
South Africa . . . . .	<u>433.81</u>	<u>426.02</u>	<u>461.98</u>
Average . . . . .	431.54	426.02	437.95
<b>Nonsubject sources:</b>			
Canada <sup>1</sup> . . . . .	509.75	439.54	492.52
Other sources . . . . .	<u>513.67</u>	<u>500.78</u>	<u>510.98</u>
Average <sup>1</sup> . . . . .	<u>513.32</u>	<u>492.95</u>	<u>509.65</u>
Average . . . . .	509.72	487.76	502.19
<u>Share of total quantity (percent)</u>			
<b>Standard pipe:</b>			
Romania . . . . .	0.3	0	3.0
South Africa . . . . .	<u>3.2</u>	<u>5.7</u>	<u>5.0</u>
Subtotal . . . . .	3.5	5.7	8.0
<b>Nonsubject sources:</b>			
Canada . . . . .	27.4	35.3	28.1
Other sources . . . . .	<u>69.1</u>	<u>59.0</u>	<u>63.9</u>
Subtotal . . . . .	<u>96.5</u>	<u>94.3</u>	<u>92.0</u>
Total . . . . .	100.0	100.0	100.0
<b>Standard pipe (with Canadian adjustment):</b>			
Romania . . . . .	.4	0	3.9
South Africa . . . . .	<u>4.0</u>	<u>7.8</u>	<u>6.5</u>
Subtotal . . . . .	4.4	7.8	10.4
<b>Nonsubject sources:</b>			
Canada <sup>1</sup> . . . . .	8.4	11.8	6.5
Other sources . . . . .	<u>87.2</u>	<u>80.5</u>	<u>83.1</u>
Subtotal <sup>1</sup> . . . . .	<u>95.6</u>	<u>92.2</u>	<u>89.6</u>
Total . . . . .	100.0	100.0	100.0

Table continued on following page.

**Table 15--Continued**  
**Standard pipe: U.S. imports, by products and by sources, 1992-94**

Item	1992	1993	1994
			Share of total value ( <i>percent</i> )
<b>Standard pipe:</b>			
Romania . . . . .	0.2	0	2.1
South Africa . . . . .	2.5	4.4	4.2
Subtotal . . . . .	2.8	4.4	6.3
<b>Nonsubject sources:</b>			
Canada . . . . .	32.0	41.6	35.2
Other sources . . . . .	65.2	54.0	58.5
Subtotal . . . . .	97.2	95.6	93.7
Total . . . . .	100.0	100.0	100.0
<b>Standard pipe (with Canadian adjustment):</b>			
Romania . . . . .	.3	0	3.1
South Africa . . . . .	3.4	6.8	6.0
Subtotal . . . . .	3.7	6.8	9.1
<b>Nonsubject sources:</b>			
Canada <sup>1</sup> . . . . .	8.4	10.6	6.4
Other sources . . . . .	87.9	82.6	84.6
Subtotal <sup>1</sup> . . . . .	96.3	93.2	90.9
Total . . . . .	100.0	100.0	100.0

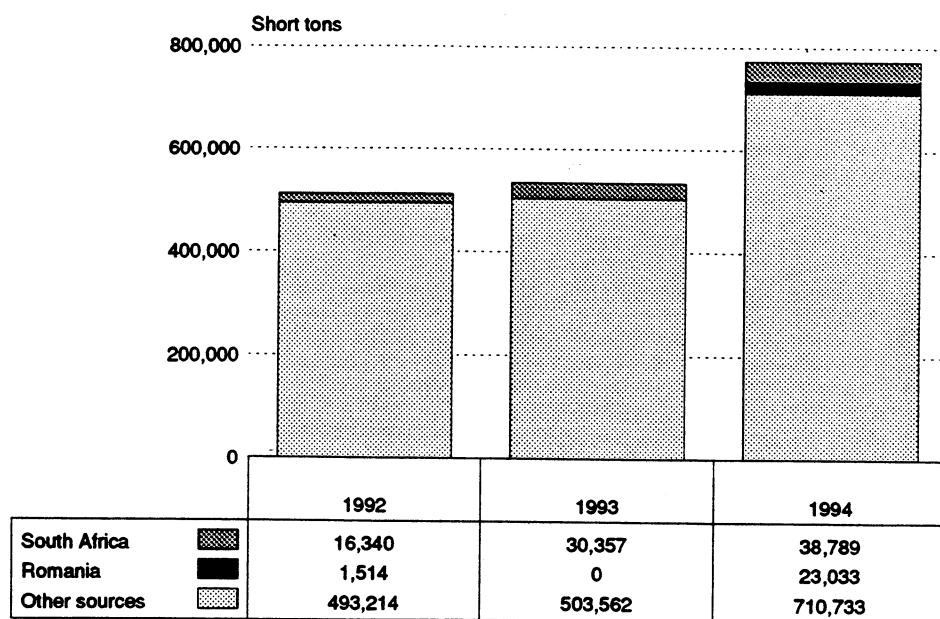
<sup>1</sup> Canadian imports have been adjusted based on information provided by counsel for the petitioners. The value of the Canadian imports was based on estimates of average Canadian selling prices for the Canadian industry; postconference brief of Schagrin Associates, app., p. 2, and ex. 12.

<sup>2</sup> Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from official statistics of Commerce (with adjustment for Canadian imports as noted above).

**Figure 4**  
**Standard pipe: U.S. imports, by sources, 1992-94**



Source: Table 15.

scope of these investigations.<sup>74</sup> There were no imports of standard pipe from Romania in 1993 due in large part to internal problems between the integrated mills producing the hot coils to make the pipe and Tepro, whose one line that produces 21-foot pipe was out of service for most of the year.<sup>75</sup>

#### Imports from Other Countries

Imports from nonsubject countries have been a factor in the market during 1992-94, especially those from Korea, Canada, Thailand, Turkey, and Japan. The quantity of imports from Korea declined from 251,604 short tons in 1992 to 218,493 short tons in 1993 and then increased to 251,318 short tons in 1994. Imports from Canada increased from 139,822 short tons in 1992 to 216,728 short tons in 1994. Imports from Thailand and Turkey more than doubled during 1992-94.

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<sup>74</sup> Petitioners assert that, based on information provided by Statistics Canada, most of the Canadian imports in the subject HTS categories are mechanical tubing products outside the scope of these investigations; conference transcript, pp. 54-55, and petition, vol. II, p. 3, and exs. 1 and 2. In response to a request at the conference, counsel for petitioners provided additional information regarding Canada's exports; postconference brief, app., pp. 1-2, and ex. 12.

Commission staff contacted numerous officials in Canada between May 11 and May 19, 1995, concerning the issue of imports of mechanical pipe. These officials generally stated that exports of mechanical pipe from Canada go to the automobile industry in the United States. The data concerning exports of mechanical pipe and tube from Canada are not publicly available because there are only a few Canadian producers/exporters of mechanical pipe. \*\*\*.

<sup>75</sup> Conference transcript, pp. 157-158.

## Market Shares

The market shares of U.S. producers and imports from Romania, South Africa, and all other sources, based on apparent U.S. consumption of standard pipe, are presented in table 16 and figure 5. Apparent consumption is calculated from U.S. shipment data provided in response to Commission questionnaires and from imports provided in official statistics.<sup>76</sup> U.S. producers' market share, by quantity, increased slightly between 1992 and 1993 and then declined in 1994. The market share of imports from the subject countries increased throughout 1992-94, although such market share was less than 3 percent during 1992-94. The market share of imports from nonsubject countries, on the other hand, were greater than 25 percent during the period of investigation.

## Prices

### Market Characteristics

As stated in the "Channels of Distribution" section, most U.S. producers sell standard pipe nationwide. Questionnaire responses by U.S. producers show their share of shipments to customers by distance from the plant. According to questionnaire responses, in 1994, the average share of standard pipe shipped under 100 miles was 26 percent, between 100 and 500 miles was 49 percent and over 500 miles was 25 percent. Only \*\*\* reported that no shipments were made over 500 miles. Importers limited sales to distributors and end users located near ports of entry such as the Gulf, East, or West Coasts. In 1994, the average share of imported product shipped by responding importers under 100 miles from port of entry was over 70 percent, between 100 and 500 miles was 17 percent, and over 500 miles was 12 percent. Four of the nine responding importers did not ship any product over 500 miles.

Ten of the 17 responding domestic producers sell standard pipe on an f.o.b. mill basis and the remainder sell on a delivered basis. According to questionnaire responses of U.S. producers, freight costs as a share of total delivered costs by distance from the plant are 2-5 percent for under 100 miles, 3-10 percent for between 100 and 500 miles, and 4-20 percent for over 500 miles. Nine of 17 responding domestic producers reported that they had absorbed freight costs during the period of investigation, and 3 of these reported that competition with imports was a factor. Ten of 11 responding importers quote prices for standard pipe and tubes on an f.o.b. port of entry basis, with inland freight arranged and paid by the purchaser. Only \*\*\* reported usable information on freight costs, stating that costs were 2 percent of total value for under 100 miles and 5 percent for between 100 and 500 miles. \*\*\* did not ship product over 500 miles.

As stated earlier in the "Channels of Distribution" section, both domestic producers and importers sell standard pipe primarily to distributors. According to responses from the questionnaire, sales to end users, such as building contractors and original equipment manufacturers, account for only 10 percent of total sales by domestic producers; only one responding importer, \*\*\*, indicated any sales to end users.

About one-half of the responding domestic producers reported distributing price lists to customers. Price lists usually serve as a starting point from which to negotiate an actual selling price which is determined by competitive factors. U.S. producers that do not use price lists for their sales usually negotiate prices for each sale based upon prevailing market conditions. Only one of the responding importers distributes price lists to its customers. Most importers negotiate prices based on market conditions.

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<sup>76</sup> Table A-2 presents market shares based on adjusted import statistics as explained earlier in the report.

Table 16

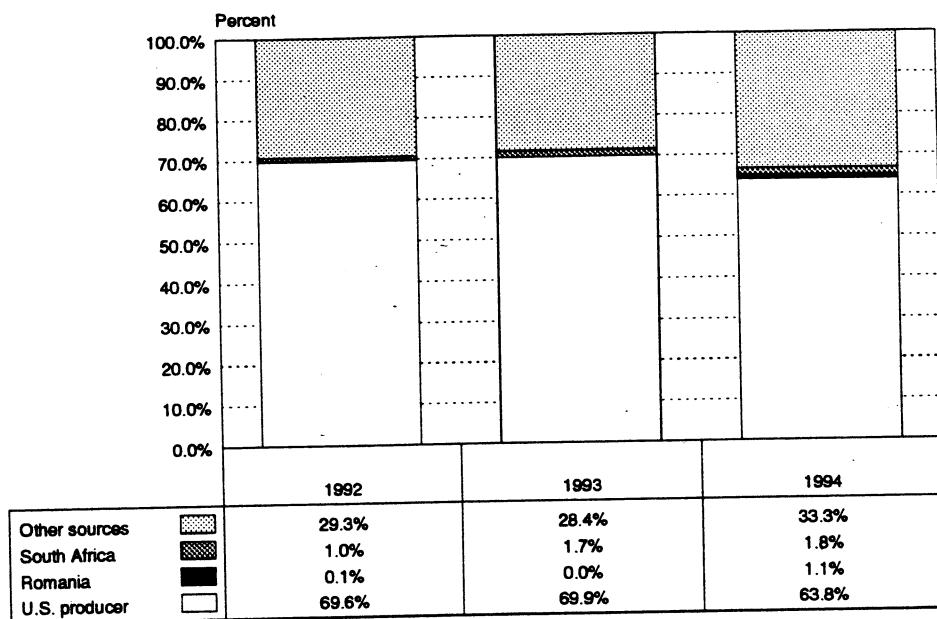
Standard pipe: Apparent U.S. consumption and market penetration, 1992-94

Item	1992	1993	1994
<i>Quantity (short tons)</i>			
Apparent consumption . . . . .	1,681,208	1,776,149	2,131,870
<i>Value (1,000 dollars)</i>			
Apparent consumption . . . . .	952,836	1,028,011	1,284,065
Share of the quantity of U.S. consumption (percent)			
Producers' U.S. shipments . . . . .	69.6	69.9	63.8
U.S. imports from--			
Romania . . . . .	.1	0	1.1
South Africa . . . . .	1.0	1.7	1.8
Subtotal . . . . .	1.1	1.7	2.9
Other sources . . . . .	29.3	28.4	33.3
Total . . . . .	30.4	30.1	36.2
Share of the value of U.S. consumption (percent)			
Producers' U.S. shipments . . . . .	70.8	71.6	66.4
U.S. imports from--			
Romania . . . . .	.1	0	.7
South Africa . . . . .	.7	1.3	1.4
Subtotal . . . . .	.8	1.3	2.1
Other sources . . . . .	28.4	27.2	31.5
Total . . . . .	29.2	28.4	33.6

Note.--Because of rounding, figures may not add to the totals shown; shares are computed from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

**Figure 5**  
**Standard pipe: Shares of the quantity of U.S. consumption, by sources, 1992-94**



Source: Table 16.

Although spot sales accounted for about 90 percent of U.S. producers' total sales by volume, about half of the responding domestic producers reported making contract sales for at least some standard pipe. Four of the responding importers of Romanian and South African pipe sell on a contract basis and 7 on a spot basis, with just under 60 percent of the volume of reported shipments being sold on a spot basis. U.S. producers reported lead times between spot order and delivery to the customer ranging from 1 to 10 days when the standard pipe is shipped from existing inventories; more than half reported lead times of 3 days or less. For orders which could not be filled from inventory, reported lead times ranged from 2 to 10 weeks with over half of responding producers reporting lead times of 5 weeks or less. Lead times between order and delivery to the U.S. port or the importer's warehouse varied somewhat between the subject countries. Reported average lead times (when not available from existing inventory) were 16 to 25 weeks for Romanian pipe and 12 to 30 weeks for South African pipe. Only 2 of 8 importers of South African pipe reported lead times for delivery from inventory, which were 3 to 7 days.

U.S. producers and importers were asked what payment terms were typically offered when selling standard pipe. Fourteen of 17 responding U.S. producers reported that they offer rebates of between 1/2 and 2 percent for prompt payment. The typical arrangement for the importers is net 30 days, with only one respondent, \*\*\*, indicating that it offers rebates.

Domestic producers generally ranked their products as having better quality consistency, delivery times, availability, and service than either of the subject countries. Importers generally acknowledged these advantages of domestic product when compared to Romanian product. For the South African product, the importers generally either agreed that the U.S. product was better in these areas or ranked it as comparable. According to James Feeney of Wheatland Tube, a domestic producer, these factors can support a price differential of not more than 10 percent. If the

differential is more than that, the distributor will buy the imported product. Mr. Pfautz of Century Tube, another domestic producer, estimated that better service is worth about 5 percent of the price.<sup>77</sup>

### Questionnaire Price Data

The Commission requested U.S. producers and importers to provide data, by quarter, on the total quantity and total net value shipped on both an f.o.b. basis and a delivered basis for sales to distributors/service centers of the following two types of standard pipe during the period January 1992-December 1994:

**Product 1:** Circular, welded, non-alloy steel pipe, meeting ASTM-A-53 or equivalent, schedule 40, black, plain-end, 1 inch in nominal inside diameter (NPS).

**Product 2:** Circular, welded, non-alloy steel pipe, meeting ASTM-A-53 or equivalent, schedule 40, black, plain-end, 4 inches in nominal inside diameter (NPS).

Importers were also requested to report separately for each product imported from each of the subject countries. Eleven U.S. producers and 11 importers provided pricing data for sales of standard pipe in the U.S. market, although not necessarily for both products or countries, all quarters over the period for which data were collected, or both f.o.b. and delivered prices (tables 17-20 and figures 6-7).

Table 17

Weighted-average net f.o.b. prices for sales to distributors of product 1 reported by U.S. producers and importers from Romania, and margins of underselling (overselling), by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

Table 18

Weighted-average net f.o.b. prices for sales to distributors of product 1 reported by U.S. producers and importers from South Africa, and margins of underselling (overselling), by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

Table 19

Weighted-average net f.o.b. prices for sales to distributors of product 2 reported by U.S. producers and importers from Romania, and margins of underselling (overselling), by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

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<sup>77</sup> Conference transcript, p. 81.

**Table 20**

Weighted-average net f.o.b. prices for sales to distributors of product 2 reported by U.S. producers and importers from South Africa, and margins of underselling (overselling), by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

**Figure 6**

Weighted-average net f.o.b. selling prices of U.S.-produced product 1 and product 1 imported from South Africa and Romania, by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

**Figure 7**

Weighted-average net f.o.b. selling prices of U.S.-produced product 2 and product 2 imported from South Africa and Romania, by quarters, Jan. 1992-Dec. 1994

\* \* \* \* \*

#### *Price trends for U.S.-produced standard pipe*

The weighted-average net f.o.b. prices for U.S.-produced product 1 fluctuated very little from January-March 1992 to January-March 1993. From that quarter, when the average net f.o.b. price of product 1 was \$\*\*\* per hundred feet, to October-December 1994, the price rose \*\*\* percent to match the high point of \$\*\*\* per hundred feet. The weighted-average net f.o.b. price for U.S.-produced product 2 generally declined from January-March 1992 to hit a low in January-March 1993. From that point until October-December 1994, the weighted-average price rose by approximately \*\*\* percent from \$\*\*\* to \$\*\*\* per hundred feet, the highest price during the period for which data were collected.

#### *Price trends for imported standard pipe*

**Romania.**--Prices for Romanian product were reported only for October-December 1993 through the end of 1994 and only by a few respondents. Only one respondent gave pricing information for October-December 1993 and January-March 1994. The price of product 1 fluctuated within a narrow range and ended the period down only \$\*\*\* per hundred feet, (\*\*% percent), from the first observation. The price of product 2 ended the period \*\*\* percent lower than the first observation.

**South Africa.**--The weighted average net f.o.b. prices of product 1 fluctuated from January-March 1992 to October-December 1993. From that point to October-December 1994, the price rose steadily, ending the period up by approximately \*\*\* percent from January-March 1992. The weighted-average net f.o.b. price of product 2 fluctuated from January-March 1992 to October-December 1994, ending the period up less than \*\*\* percent.

### ***Price comparisons for sales to distributors***

The reported sales information for U.S. producers' and importers' quarterly sales during January 1992-December 1994 resulted in a total of 34 direct price comparisons for the 2 products from the 2 countries subject to these investigations. The imported products were priced below the domestic product in all of the price comparisons. A discussion of each subject country follows.

**Romania.**--Ten quarterly price comparisons between U.S.-produced and Romanian products 1 and 2 sold to distributors were possible. In all of these comparisons, the Romanian products were priced below the domestic products, with margins of underselling ranging from \*\*\* to \*\*\* percent for product 1 and \*\*\* percent for product 2. Margins of underselling fluctuated, but ended the period of observation (October-December 1993 to October-December 1994) at the highest point for both products.

**South Africa.**--South African standard pipe sold to U.S. distributors was priced below the domestic product in all 24 quarterly price comparisons. Margins by which the South African standard pipe was priced below the domestic products ranged from \*\*\* to \*\*\* percent for product 1 and from \*\*\* to \*\*\* percent for product 2. For product 1, margins fluctuated over the period, with the highest margins being observed in 1994. For product 2, margins fluctuated through the period for which data were collected, beginning at the high of \*\*\* percent and ending at \*\*\* percent. For most quarters, the margins for product 2 were less than \*\*\* percent.

### **Exchange Rates**

Quarterly data reported by the International Monetary Fund indicate that the real value of the South African currency rose steadily in relation to the U.S. dollar over the period from January-March 1992 through October-December 1994, ending the period up 49 percent (figure 8).<sup>78</sup> No producer price index was available for Romania, so the real exchange rate could not be derived. The nominal exchange rate moved from 34.84 to 1,761.13 lei per dollar over the period, but Romanian inflation was high,<sup>79</sup> so no conclusion about real exchange-rate changes can be made.

### **Lost Sales and Lost Revenues**

Less than half of U.S. producers indicated that during the period for which data were collected they had lost revenues and/or sales to producers of standard pipe from one or more of the countries subject to the current investigations. Of those that reported lost sales, only one producer provided any specific information. \*\*\*.

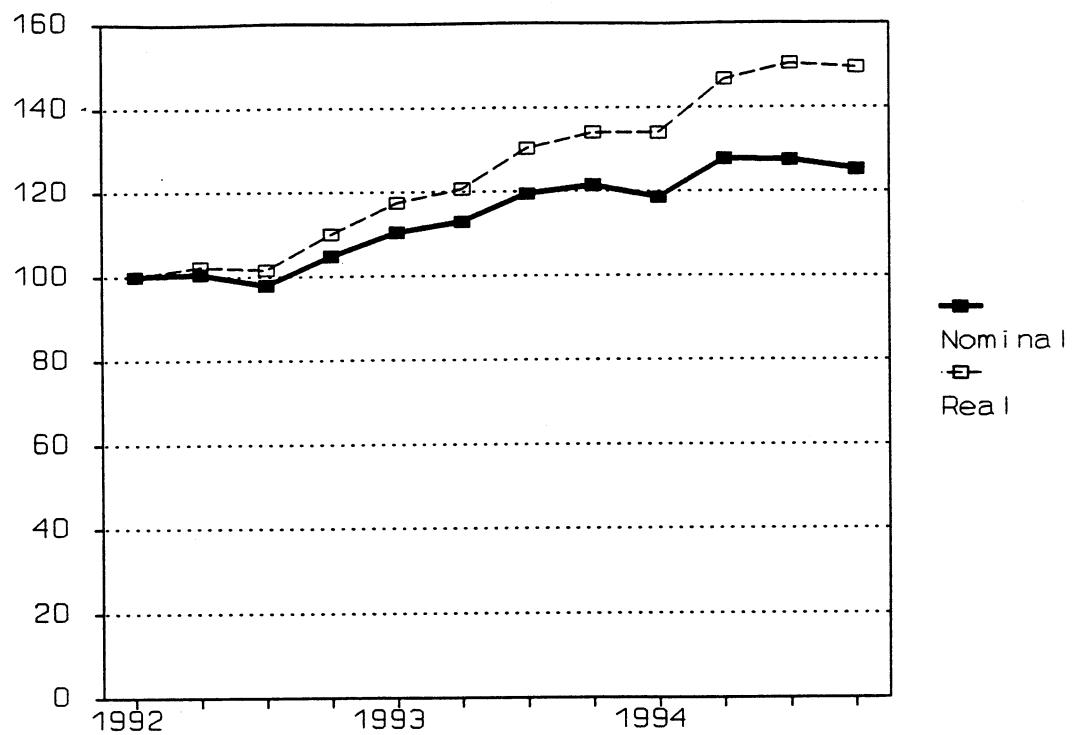
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<sup>78</sup> *International Financial Statistics*, May 1995.

<sup>79</sup> Although no producer price index is available, the consumer price index (Oct. 1990=100) rose from 604.3 in first quarter of 1992 to 7,522.5 in fourth quarter of 1994 (from *International Financial Statistics*, May 1995).

**Figure 8**

Nominal and real exchange rate indices of the South African rand, by quarters, Jan. 1992-Dec. 1994



January-March 1992 = 100

Source: *International Financial Statistics*, May 1995.



**APPENDIX A**  
**SUMMARY TABLES**



Table A-1

Standard pipe: Summary data concerning the U.S. market, 1992-94

(Quantity = short tons; value = 1,000 dollars; unit values and unit labor costs  
are per short ton; period changes = percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
<b>U.S. consumption quantity:</b>						
Amount . . . . .	1,681,208	1,776,149	2,131,870	+26.8	+5.6	+20.0
Producers' share <sup>1</sup> . . . . .	69.6	69.9	63.8	-5.8	+0.3	-6.2
<b>Importers' share:</b>						
Romania . . . . .	0.1	0	1.1	+1.0	-0.1	+1.1
South Africa . . . . .	1.0	1.7	1.8	+0.8	+0.7	+0.1
Subtotal . . . . .	1.1	1.7	2.9	+1.8	+0.6	+1.2
Other sources . . . . .	29.3	28.4	33.3	+4.0	-1.0	+5.0
Total . . . . .	30.4	30.1	36.2	+5.8	-0.3	+6.2
<b>U.S. consumption value:</b>						
Amount . . . . .	952,836	1,028,011	1,284,065	+34.8	+7.9	+24.9
Producers' share <sup>1</sup> . . . . .	70.8	71.6	66.4	-4.4	+0.8	-5.2
<b>Importers' share:</b>						
Romania . . . . .	0.1	0	0.7	+0.6	-0.1	+0.7
South Africa . . . . .	.7	1.3	1.4	+0.7	+0.5	+0.1
Subtotal . . . . .	.8	1.3	2.1	+1.3	+0.4	+0.9
Other sources . . . . .	28.4	27.2	31.5	+3.1	-1.2	+4.3
Total . . . . .	29.2	28.4	33.6	+4.4	-0.8	+5.2
<b>U.S. imports from--</b>						
<b>Romania:</b>						
Imports quantity . . . . .	1,514	0	23,033	(2)	-100.0	(3)
Imports value . . . . .	616	0	9,155	(2)	-100.0	(3)
Unit value . . . . .	\$407.04	(3)	\$397.48	-2.3	(3)	(3)
Ending inventory quantity . . . . .	-	(4)	0	-	(4)	(4)
<b>South Africa:</b>						
Imports quantity . . . . .	16,340	30,357	38,789	+137.4	+85.8	+27.8
Imports value . . . . .	7,088	12,932	17,920	+152.8	+82.4	+38.6
Unit value . . . . .	\$433.81	\$426.02	\$461.98	+6.5	-1.8	+8.4
Ending inventory quantity . . . . .	***	***	***	***	***	***
<b>Subject sources:</b>						
Imports quantity . . . . .	17,854	30,357	61,823	+246.3	+70.0	+103.7
Imports value . . . . .	7,704	12,932	27,075	+251.4	+67.9	+109.4
Unit value . . . . .	\$431.54	\$426.02	\$437.95	+1.5	-1.3	+2.8
Ending inventory quantity . . . . .	***	***	***	***	***	***
<b>Other sources:</b>						
Imports quantity . . . . .	493,214	503,562	710,733	+44.1	+2.1	+41.1
Imports value . . . . .	270,542	279,131	404,210	+49.4	+3.2	+44.8
Unit value . . . . .	\$548.53	\$554.32	\$568.73	+3.7	+1.1	+2.6
Ending inventory quantity . . . . .	6,333	11,974	13,581	+114.4	+89.1	+13.4
<b>All sources:</b>						
Imports quantity . . . . .	511,068	533,918	772,556	+51.2	+4.5	+44.7
Imports value . . . . .	278,246	292,064	431,285	+55.0	+5.0	+47.7
Unit value . . . . .	\$544.45	\$547.02	\$558.26	+2.5	+0.5	+2.1

Table continued on next page.

Table A-1--Continued

Standard pipe: Summary data concerning the U.S. market, 1992-94

(Quantity = short tons; value = 1,000 dollars; unit values and unit labor costs  
are per short ton; period changes = percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
<b>U.S. producers'--</b>						
Average capacity quantity . . . . .	1,762,758	1,736,537	1,770,712	+0.5	-1.5	+2.0
Production quantity . . . . .	1,187,160	1,258,194	1,377,165	+16.0	+6.0	+9.5
Capacity utilization <sup>1</sup> . . . . .	57.0	61.5	65.4	+8.4	+4.5	+3.9
<b>U.S. shipments:</b>						
Quantity . . . . .	1,170,140	1,242,231	1,359,314	+16.2	+6.2	+9.4
Value . . . . .	674,590	735,947	852,780	+26.4	+9.1	+15.9
Unit value . . . . .	\$576.50	\$592.44	\$627.36	+8.8	+2.8	+5.9
<b>Export shipments:</b>						
Quantity . . . . .	11,648	18,993	17,839	+53.2	+63.1	-6.1
Exports/shipments <sup>1</sup> . . . . .	1.0	1.5	1.3	+0.3	+0.5	-0.2
Value . . . . .	5,727	11,601	12,010	+109.7	+102.6	+3.5
Unit value . . . . .	\$491.67	\$610.80	\$673.24	+36.9	+24.2	+10.2
Ending inventory quantity . . . . .	170,020	167,370	168,260	-1.0	-1.6	+0.5
Inventory/shipments <sup>1</sup> . . . . .	14.4	13.3	12.2	-2.2	-1.1	-1.1
Production workers . . . . .	2,045	2,142	2,638	+29.0	+4.7	+23.2
Hours worked (1,000s) . . . . .	4,305	4,675	4,816	+11.9	+8.6	+3.0
Wages paid (\$1,000) . . . . .	66,573	72,216	73,964	+11.1	+8.5	+2.4
Total compensation (\$1,000) . . . . .	92,627	98,096	101,209	+9.3	+5.9	+3.2
Hourly wages . . . . .	\$15.46	\$15.45	\$15.36	-0.7	-0.1	-0.6
Hourly total compensation . . . . .	\$21.52	\$20.98	\$21.02	-2.3	-2.5	+0.2
Productivity (short tons per 1,000 hours) . . . . .	274.4	266.0	274.0	-0.1	-3.1	+3.0
Unit labor costs . . . . .	\$78.43	\$78.89	\$76.69	-2.2	+0.6	-2.8
<b>Net sales--</b>						
Quantity . . . . .	1,174,782	1,257,833	1,380,375	+17.5	+7.1	+9.7
Value . . . . .	675,786	740,612	858,666	+27.1	+9.6	+15.9
Unit sales value . . . . .	\$575.24	\$588.80	\$622.05	+8.1	+2.4	+5.6
Cost of goods sold (COGS) . . . . .	582,219	651,076	765,350	+31.5	+11.8	+17.6
Gross profit (loss) . . . . .	93,567	89,536	93,316	-0.3	-4.3	+4.2
SG&A expenses . . . . .	51,267	50,000	51,795	+1.0	-2.5	+3.6
Operating income or (loss) . . . . .	42,300	39,536	41,521	-1.8	-6.5	+5.0
Capital expenditures . . . . .	41,996	27,081	15,701	-62.6	-35.5	-42.0
Unit COGS . . . . .	\$495.60	\$517.62	\$554.45	+11.9	+4.4	+7.1
Unit SG&A expenses . . . . .	\$43.64	\$39.75	\$37.52	-14.0	-8.9	-5.6
Unit operating income or (loss) . . . . .	\$36.01	\$31.43	\$30.08	-16.5	-12.7	-4.3
COGS/sales <sup>1</sup> . . . . .	86.2	87.9	89.1	+3.0	+1.8	+1.2
Operating income or (loss)/sales <sup>1</sup> . . . . .	6.3	5.3	4.8	-1.4	-0.9	-0.5

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.<sup>2</sup> An increase of 1,000 percent or more.

Footnotes continued on next page.

<sup>3</sup> Not applicable.

<sup>4</sup> Not available.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values derived from official statistics of Commerce are calculated from the unrounded figures. Capacity and employment ratios are calculated using data where both comparable numerator and denominator information were supplied.

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

Table A-2

Standard pipe (with Canadian adjustment): Summary data concerning the U.S. market, 1992-94

(Quantity = short tons; value = 1,000 dollars; unit values and unit labor costs  
are per short ton; period changes = percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
<b>U.S. consumption quantity:</b>						
Amount . . . . .	1,575,346	1,633,838	1,953,622	+24.0	+3.7	+19.6
Producers' share <sup>1</sup> . . . . .	74.3	76.0	69.6	-4.7	+1.8	-6.5
Importers' share: <sup>1</sup>						
Romania . . . . .	0.1	0	1.2	+1.1	-0.1	+1.2
South Africa . . . . .	1.0	1.9	2.0	+0.9	+0.8	+0.1
Subtotal . . . . .	1.1	1.9	3.2	+2.0	+0.7	+1.3
Other sources <sup>2</sup> . . . . .	24.6	22.1	27.3	+2.7	-2.5	+5.1
Total . . . . .	25.7	24.0	30.4	+4.7	-1.8	+6.5
<b>U.S. consumption value:</b>						
Amount . . . . .	881,130	926,956	1,151,234	+30.7	+5.2	+24.2
Producers' share <sup>1</sup> . . . . .	76.6	79.4	74.1	-2.5	+2.8	-5.3
Importers' share: <sup>1</sup>						
Romania . . . . .	0.1	0	0.8	+0.7	-0.1	+0.8
South Africa . . . . .	.8	1.4	1.6	+0.8	+0.6	+0.2
Subtotal . . . . .	.9	1.4	2.4	+1.5	+0.5	+1.0
Other sources <sup>2</sup> . . . . .	22.6	19.2	23.6	+1.0	-3.4	+4.4
Total . . . . .	23.4	20.6	25.9	+2.5	-2.8	+5.3
<b>U.S. imports from--</b>						
Romania:						
Imports quantity . . . . .	1,514	0	23,033	(3)	-100.0	(4)
Imports value . . . . .	616	0	9,155	(3)	-100.0	(4)
Unit value . . . . .	\$407.04	(4)	\$397.48	-2.3	(4)	(4)
Ending inventory quantity . . . . .	-	(5)	0	-	(5)	(5)
South Africa:						
Imports quantity . . . . .	16,340	30,357	38,789	+137.4	+85.8	+27.8
Imports value . . . . .	7,088	12,932	17,920	+152.8	+82.4	+38.6
Unit value . . . . .	\$433.81	\$426.02	\$461.98	+6.5	-1.8	+8.4
Ending inventory quantity . . . . .	***	***	***	***	***	***
Subject sources:						
Imports quantity . . . . .	17,854	30,357	61,823	+246.3	+70.0	+103.7
Imports value . . . . .	7,704	12,932	27,075	+251.4	+67.9	+109.4
Unit value . . . . .	\$431.54	\$426.02	\$437.95	+1.5	-1.3	+2.8
Ending inventory quantity . . . . .	***	***	***	***	***	***
Other sources: <sup>2</sup>						
Imports quantity . . . . .	387,352	361,251	532,485	+37.5	-6.7	+47.4
Imports value . . . . .	198,836	178,077	271,379	+36.5	-10.4	+52.4
Unit value . . . . .	\$513.32	\$492.95	\$509.65	-0.7	-4.0	+3.4
Ending inventory quantity . . . . .	6,333	11,974	13,581	+114.4	+89.1	+13.4
All sources:						
Imports quantity . . . . .	405,206	391,607	594,308	+46.7	-3.4	+51.8
Imports value . . . . .	206,540	191,009	298,454	+44.5	-7.5	+56.3
Unit value . . . . .	\$509.72	\$487.76	\$502.19	-1.5	-4.3	+3.0

Table continued on next page.

Table A-2--Continued

Standard pipe (with Canadian adjustment): Summary data concerning the U.S. market, 1992-94

(Quantity = short tons; value = 1,000 dollars; unit values and unit labor costs are per short ton; period changes = percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
<b>U.S. producers'</b> --						
Average capacity quantity . . . . .	1,762,758	1,736,537	1,770,712	+0.5	-1.5	+2.0
Production quantity . . . . .	1,187,160	1,258,194	1,377,165	+16.0	+6.0	+9.5
Capacity utilization <sup>1</sup> . . . . .	57.0	61.5	65.4	+8.4	+4.5	+3.9
U.S. shipments:						
Quantity . . . . .	1,170,140	1,242,231	1,359,314	+16.2	+6.2	+9.4
Value . . . . .	674,590	735,947	852,780	+26.4	+9.1	+15.9
Unit value . . . . .	\$576.50	\$592.44	\$627.36	+8.8	+2.8	+5.9
Export shipments:						
Quantity . . . . .	11,648	18,993	17,839	+53.2	+63.1	-6.1
Exports/shipments <sup>1</sup> . . . . .	1.0	1.5	1.3	+0.3	+0.5	-0.2
Value . . . . .	5,727	11,601	12,010	+109.7	+102.6	+3.5
Unit value . . . . .	\$491.67	\$610.80	\$673.24	+36.9	+24.2	+10.2
Ending inventory quantity . . . . .	170,020	167,370	168,260	-1.0	-1.6	+0.5
Inventory/shipments <sup>1</sup> . . . . .	14.4	13.3	12.2	-2.2	-1.1	-1.1
Production workers . . . . .	2,045	2,142	2,638	+29.0	+4.7	+23.2
Hours worked (1,000s) . . . . .	4,305	4,675	4,816	+11.9	+8.6	+3.0
Wages paid (\$1,000) . . . . .	66,573	72,216	73,964	+11.1	+8.5	+2.4
Total compensation (\$1,000) . . . . .	92,627	98,096	101,209	+9.3	+5.9	+3.2
Hourly wages . . . . .	\$15.46	\$15.45	\$15.36	-0.7	-0.1	-0.6
Hourly total compensation . . . . .	\$21.52	\$20.98	\$21.02	-2.3	-2.5	+0.2
Productivity (short tons per 1,000 hours) . . . . .	274.4	266.0	274.0	-0.1	-3.1	+3.0
Unit labor costs . . . . .	\$78.43	\$78.89	\$76.69	-2.2	+0.6	-2.8
Net sales--						
Quantity . . . . .	1,174,782	1,257,833	1,380,375	+17.5	+7.1	+9.7
Value . . . . .	675,786	740,612	858,666	+27.1	+9.6	+15.9
Unit sales value . . . . .	\$575.24	\$588.80	\$622.05	+8.1	+2.4	+5.6
Cost of goods sold (COGS) . . . . .	582,219	651,076	765,350	+31.5	+11.8	+17.6
Gross profit (loss) . . . . .	93,567	89,536	93,316	-0.3	-4.3	+4.2
SG&A expenses . . . . .	51,267	50,000	51,795	+1.0	-2.5	+3.6
Operating income or (loss) . . . . .	42,300	39,536	41,521	-1.8	-6.5	+5.0
Capital expenditures . . . . .	41,996	27,081	15,701	-62.6	-35.5	-42.0
Unit COGS . . . . .	\$495.60	\$517.62	\$554.45	+11.9	+4.4	+7.1
Unit SG&A expenses . . . . .	\$43.64	\$39.75	\$37.52	-14.0	-8.9	-5.6
Unit operating income or (loss) . . . . .	\$36.01	\$31.43	\$30.08	-16.5	-12.7	-4.3
COGS/sales <sup>1</sup> . . . . .	86.2	87.9	89.1	+3.0	+1.8	+1.2
Operating income or (loss)/sales <sup>1</sup> . . . . .	6.3	5.3	4.8	-1.4	-0.9	-0.5

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.

Footnotes continued on next page.

<sup>2</sup> Canadian imports have been adjusted based on information provided by counsel for the petitioners. The value of the Canadian imports was based on estimates of average Canadian selling prices for the Canadian industry; postconference brief of Schagrin Associates, app., p. 2, and ex. 12.

<sup>3</sup> An increase of 1,000 percent or more.

<sup>4</sup> Not applicable.

<sup>5</sup> Not available.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values derived from official statistics of Commerce are calculated from the unrounded figures. Capacity and employment ratios are calculated using data where both comparable numerator and denominator information were supplied.

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce (with adjustment for Canadian imports as noted above).

**APPENDIX B**  
***FEDERAL REGISTER NOTICES***



views are due at the Department of Commerce within 5 business days thereafter, or by June 19, 1995.

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

**EFFECTIVE DATE:** April 26, 1995.

**FOR FURTHER INFORMATION CONTACT:** Valerie Newkirk (202-205-3190), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-

impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N.8.1).

**SUPPLEMENTARY INFORMATION:**

**Background**

These investigations are being instituted in response to a petition filed on April 26, 1995, by Allied Tube & Conduit Corp., Harvey, IL; Sawhill Tubular Division (Armc), Sharon, PA; LTV Steel Tubular Products Co., Youngstown, OH; Sharon Tube Co., Sharon, PA; Laclede Steel Co., St. Louis, MO; Wheatland Tube Co., Collingswood, NJ; and Century Tube Co., Pine Bluff, AR.

**Participation in the Investigations and Public Service List**

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

**Limited Disclosure of Business Proprietary Information (BPI) Under a Administrative Protective Order (APO) and BPI Service List**

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will

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**INTERNATIONAL TRADE COMMISSION**

[Investigations Nos. 731-TA-732 and 733 (Preliminary)]

**Circular Welded Non-Alloy Steel Pipe From Romania and South Africa**

**AGENCY:** International Trade Commission.

**ACTION:** Institution and scheduling of preliminary antidumping investigations.

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-732 and 733 (Preliminary) under section 733(a) of the Tariff Act of 1930, as amended by Section 212(b) of the Uruguay Round Agreements Act (URAA), Pub. L. 103-465, 108 Stat. 4809 (1994) (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Romania and South Africa of circular welded non-alloy steel pipe, provided for in subheadings 7306.30.10 and 7306.30.50 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by June 12, 1995. The Commission's

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

Issued: April 28, 1995.  
Donna R. Koehnke,  
Secretary.  
[FIR Doc. 95-10895 Filed 5-2-95; 8:45 am]  
BILLING CODE 7520-02-P

#### Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on May 17, 1995, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Valerie Newkirk (202-205-3190) not later than May 15, 1995, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

#### Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before May 22, 1995, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

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

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

By order of the Commission.

**INITIATION OF INVESTIGATIONS:****The Applicable Statute**

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

**The Petitions**

On April 26, 1995, the Department of Commerce (the Department) received two petitions filed in proper form by Allied Tube and Conduit Corporation, Sawhill Tubular Division, LTV Steel Tubular Products Company, Sharon Tube Company, Laclede Steel Company, Wheatland Tube Company, and Century Tube Corporation (the petitioners), seven U.S. producers of circular welded non-alloy steel pipe. A supplement to the petitions was filed on May 8, 1995.

In accordance with section 732(b) of the Act, the petitioners allege that imports of circular welded non-alloy steel pipe from Romania and South Africa are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, a U.S. industry.

The petitioners state that they have standing to file the petitions because they are interested parties, as defined under section 771(9)(C) of the Act.

**Determination of Industry Support for the Petitions**

Section 732(c)(4)(A) of the Act requires the Department to determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets these minimum requirements if (1) the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

A review of the production data provided in the petitions and other information readily available to the Department indicates that the petitioners account for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or

opposition to, the petitions. The Department received no expressions of opposition to the petitions from any interested party. Accordingly, the Department determines that these petitions are supported by the domestic industry.

**Scope of the Investigations**

For purposes of these investigations, circular welded non-alloy steel pipes (standard pipes) are all pipes and tubes, of circular cross-section, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, bevelled end, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other) used in, or intended for use in, standard or structural pipe applications.

The scope specifically includes, but is not limited to, all pipe produced to the ASTM A-53, ASTM A-120, ASTM A-135, ASTM A-795, and BS-1387 specifications. It also includes any pipe multiple-stencilled or multiple-certified to one of the above-listed specifications and to any other specification such as API-5L and API-5L X-42 specifications. Pipe produced to proprietary specifications, the API-5L, the API-5L X-42, or to any other non-listed specification is included within the scope of these investigations if used or intended for use in a standard pipe application, regardless of the *Harmonized Tariff Schedule of the United States (HTSUS)* category into which it was classified.

Standard pipe uses include the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipe may carry liquids at elevated temperatures but may not be subject to the application of external heat. Standard or structural pipe uses also include load-bearing applications in construction and residential and industrial fence systems. Standard pipe uses also include shells for the production of finished conduit and pipe used for the production of scaffolding.

These investigations do not cover: API line pipe that is used in oil or gas pipelines; mechanical tubing, whether or not cold-drawn, that enters the United States classified under *HTSUS* 7306.30.10 or 7306.30.50; tube and pipe hollows for redrawing that enter the United States classified under *HTSUS* 7306.30.50.35; and finished electrical conduit that enters the United States classified under *HTSUS* 7306.30.50.28. The investigation does cover conduit

**International Trade Administration**

[A-485-804, A-791-803]

**Initiation of Antidumping Duty Investigations: Circular Welded Non-Alloy Steel Pipe From Romania and South Africa**

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

**EFFECTIVE DATE:** May 22, 1995.

**FOR FURTHER INFORMATION CONTACT:** John Beck at (202) 482-3464 or Jennifer Stagner at (202) 482-1673, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

shells that enter the United States classified under *HTSUS* 7306.30.50 including *HTSUS* 7306.30.50.28.

The scope of these investigations also covers pipe used for the production of scaffolding, but does not cover finished scaffolding. Pipe produced to the API specifications for oil country tubular goods (API 5CT) is not covered by the scope of these investigations, unless also certified to a listed standard pipe specification and used or intended for use in a standard pipe application.

The merchandise under investigation is currently classifiable under items 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, and 7306.30.50.90 of the *HTSUS*. Although the *HTSUS* subheadings are provided for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

Although the Department is including end-use language in the scope for purposes of initiation, the Department intends to further consider its appropriateness. The Department currently is conducting a scope inquiry with respect to the antidumping duty orders on certain circular welded non-alloy steel pipe from Brazil, the Republic of Korea, Mexico, and Venezuela (see Preliminary Affirmative Determination of Scope Inquiry on Antidumping Duty Orders on Certain Circular Welded Non-Alloy Steel Pipe From Brazil, the Republic of Korea, Mexico, and Venezuela (59 FR 1929, January 13, 1994)). The final determination of that scope inquiry will affect the scope determination in these investigations.

The Department invites comments from interested parties addressing "end-use" as a scope criterion. Parties interested in commenting on the scope of these investigations should submit their comments no later than close of business June 30, 1995. Rebuttal comments will be accepted no later than close of business July 7, 1995.

#### **Export Price and Normal Value**

##### *Romania*

The petitioners based export price on the reported customs value for circular welded non-alloy steel pipe imported into the United States from Romania during the fourth quarter of 1994. This information was specific to standard pipe and not to a basket category of merchandise. The petitioners made adjustments to the price for foreign inland freight.

The petitioners assert that Romania is a non-market economy (NME) within the meaning of section 771(18) of the

Act. Accordingly, the normal value of the product should be based on the producers' factors of production, valued in a surrogate market economy country. In previous investigations, the Department has determined that Romania is an NME, and section 771(18)(C)(i) of the Act provides that the presumption of NME status continues for the initiation of this investigation. See, e.g., Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe from Romania 57 FR 42957 (September 17, 1992) (Standard Pipe from Romania). In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of Romania's NME status and the granting of separate rates to individual exporters. See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC 59 FR 22585 (May 2, 1994).

In accordance with section 773(c)(3) of the Act, the petitioners based the Romanian producers' factors of production (e.g., raw materials, labor, energy) on adjusted data from the public version of the information on the record in Standard Pipe from Romania. For the valuation of certain factors (steel coil, labor, electricity, water, and methane), the petitioners used surrogate information from Colombia pursuant to section 773(c)(4) of the Act. The petitioners contend that Colombia is the most appropriate surrogate country because it is similar to Romania in terms of per-capita gross national product trends and population levels and is a significant producer of steel pipe.

To value certain other minor factors, the petitioners used information from Thailand because they could not obtain information from Colombia. The petitioners used public surrogate information from Thailand that was used in Standard Pipe from Romania because this information was reasonably available to them. Where necessary, these values were adjusted for inflation.

Based on a comparison of the export price to normal value, the calculated dumping margin based on public information is 39.58 percent.

##### *South Africa*

The petitioners based export price on the reported customs value for circular welded non-alloy steel pipe imported into the United States from South Africa during the fourth quarter of 1994. This information was specific to standard pipe and not to a basket category of merchandise. The petitioners made no adjustments for foreign movement charges and other selling expenses.

The petitioners based normal value on actual home market price quotations from a South African distributor provided by a market researcher. The petitioners converted the unit price quotes in South African rand to U.S. dollars using the average exchange rate for the fourth quarter of 1994 and then adjusted the dollar unit price, where appropriate, for standard and early payment discounts.

Based on comparisons of export price to normal value, the calculated dumping margins for circular welded non-alloy steel pipe from South Africa range from 107.87 percent to 127.81 percent.

#### **Fair Value Comparisons**

Based on the data provided by the petitioners, there is reason to believe that imports of circular welded non-alloy steel pipe from Romania and South Africa are being, or likely to be, sold at less than fair value. If it becomes necessary at a later date to consider these petitions as a source of facts available under section 776 of the Act, we may review further the calculations.

#### **Initiation of Investigations**

We have examined the petitions on circular welded non-alloy steel pipe and have found that they meet the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair value. Therefore, we are initiating antidumping duty investigations to determine whether imports of circular welded non-alloy steel pipe from Romania and South Africa are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations by October 5, 1995.

#### **Distribution of Copies of the Petitions**

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the petitions have been provided to the representatives of the governments of Romania and South Africa. We will attempt to provide copies of the public versions of the petitions to all the exporters named in the petitions.

#### **International Trade Commission (ITC) Notification**

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

**Preliminary Determination by the ITC**

The ITC will determine by June 12, 1995, whether there is a reasonable indication that imports of circular welded non-alloy steel pipe from Romania and South Africa are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination on either investigation will result in the respective investigation being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

**Susan G. Esserman,**  
*Assistant Secretary for Import Administration.*

Dated: May 16, 1995.  
[FR Doc. 95-12499 Filed 5-19-95; 8:45 am]  
BILLING CODE 3610-08-P

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**APPENDIX C**  
**CALENDAR OF THE PUBLIC CONFERENCE**



## CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission conference:

Subject: CIRCULAR WELDED NON-ALLOY STEEL PIPE  
FROM ROMANIA AND SOUTH AFRICA

Investigations Nos. 731-TA-732 and 733 (Preliminary)

Date and Time: May 17, 1995 - 9:30 a.m.

Sessions were held in connection with the investigations in the Main Hearing Room of the United States International Trade Commission, 500 E Street, SW, Washington, DC.

In support of the Imposition of Antidumping Duties:

Schagrin Associates--Counsel  
Washington, DC  
On behalf of

Allied Tube & Conduit Corp.  
Armco/Sawhill Tubular Div.  
Century Tube Co.  
Laclede Steel Co.  
LTV Steel Tubular Products Co.  
Sharon Tube Co.  
Wheatland Tube Co.

Lee Hooper, President, Sharon Tube Co.  
Robert Pfautz, President, Century Tube Corp.  
James E. Feeney, Senior Vice President, Wheatland Tube Co.

Roger B. Schagrin      )--OF COUNSEL

In opposition to the Imposition of Antidumping Duties:

Fulbright & Jaworski  
Washington, DC  
On behalf of

Robor Industrial Holdings (Pty) Ltd.  
TOSA  
Brollo Africa  
Hall Longmore & Co. (Pty) Ltd.

Michael Evans, Vice President, Maurice Pincoffs Co., Inc.

Michael Adcock, South African Counsel to South African respondents,  
Chairman, Gilfillan Hayman Godfrey Inc.

Matthew M. Nolan )  
Andrew Jaxa-Debicki )--OF COUNSEL

Seth T. Kaplan and Richard D. Boltuck, Consultants, Trade Resources  
Company

Venable Baetjer Howard & Civiletti  
Washington, DC  
On behalf of

S.C. Tepro S.A.  
Metalexportimport S.A.  
Metanef S.A.  
Metagrimex Business Group, S.A.

Seth Young, President, Gulf & Northern Trading

John M. Gurley )--OF COUNSEL

## **APPENDIX D**

### **EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**



The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of standard pipe from Romania or South Africa on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. The Commission also asked U.S. producers to report the influence of such imports on their scale of capital investments undertaken. The responses are as follows:

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