

**Certain Oil Country Tubular Goods  
from India, Korea, Philippines, Saudi  
Arabia, Taiwan, Thailand, Turkey,  
Ukraine, and Vietnam**

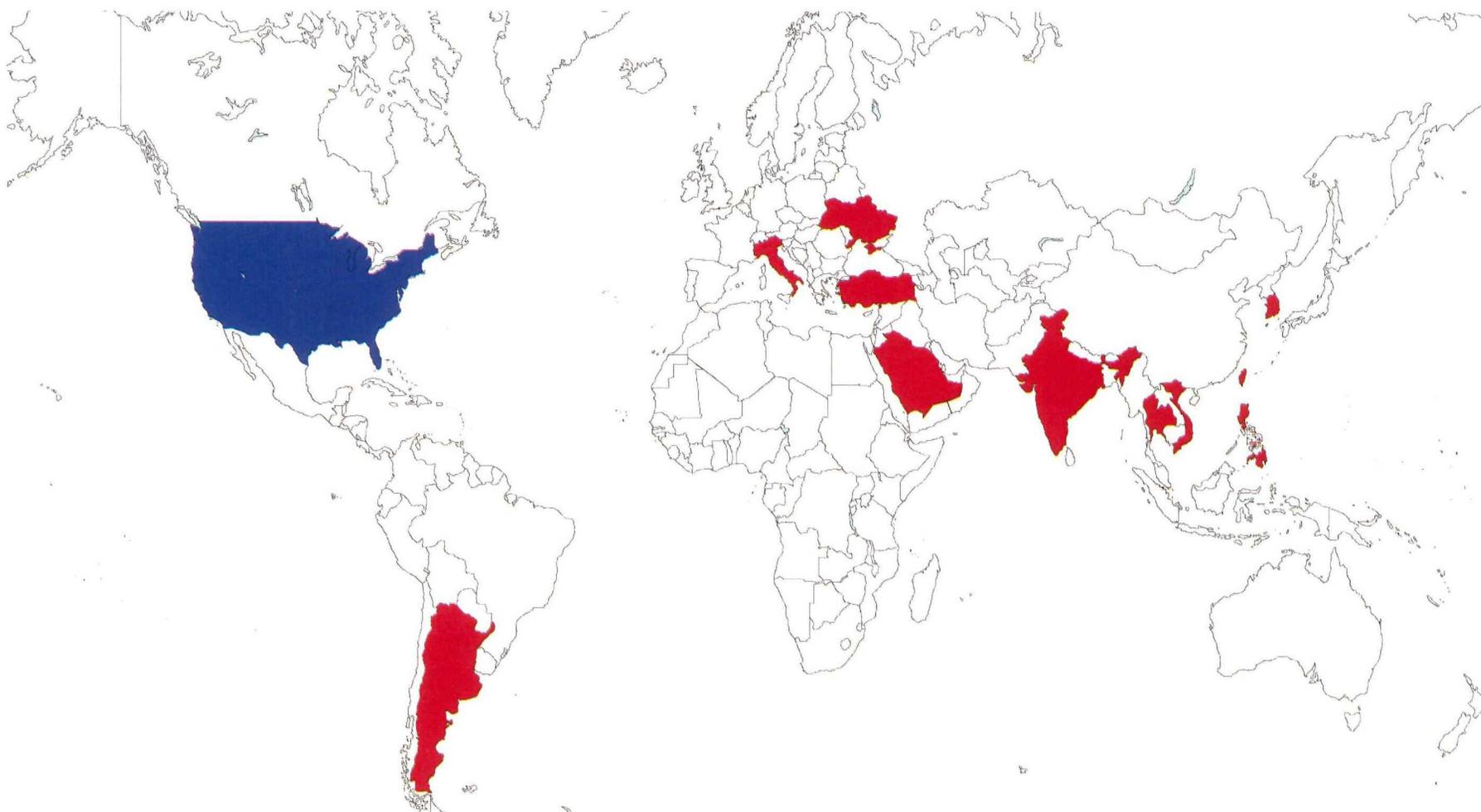
**Skadden, Arps, Slate, Meagher and Flom  
July 15, 2014**

# Key Points in These Investigations

- Despite historically strong demand, the last few years ***have been a disaster for domestic producers***
- After domestic producers obtained relief from unfairly traded Chinese imports, ***imports from the subject countries immediately surged***
- Subject imports ***forced U.S. mills to slash prices*** to save market share
- As prices fell, ***operating margins for U.S. mills plummeted***
- In the absence of trade relief, ***subject imports will do even more harm***

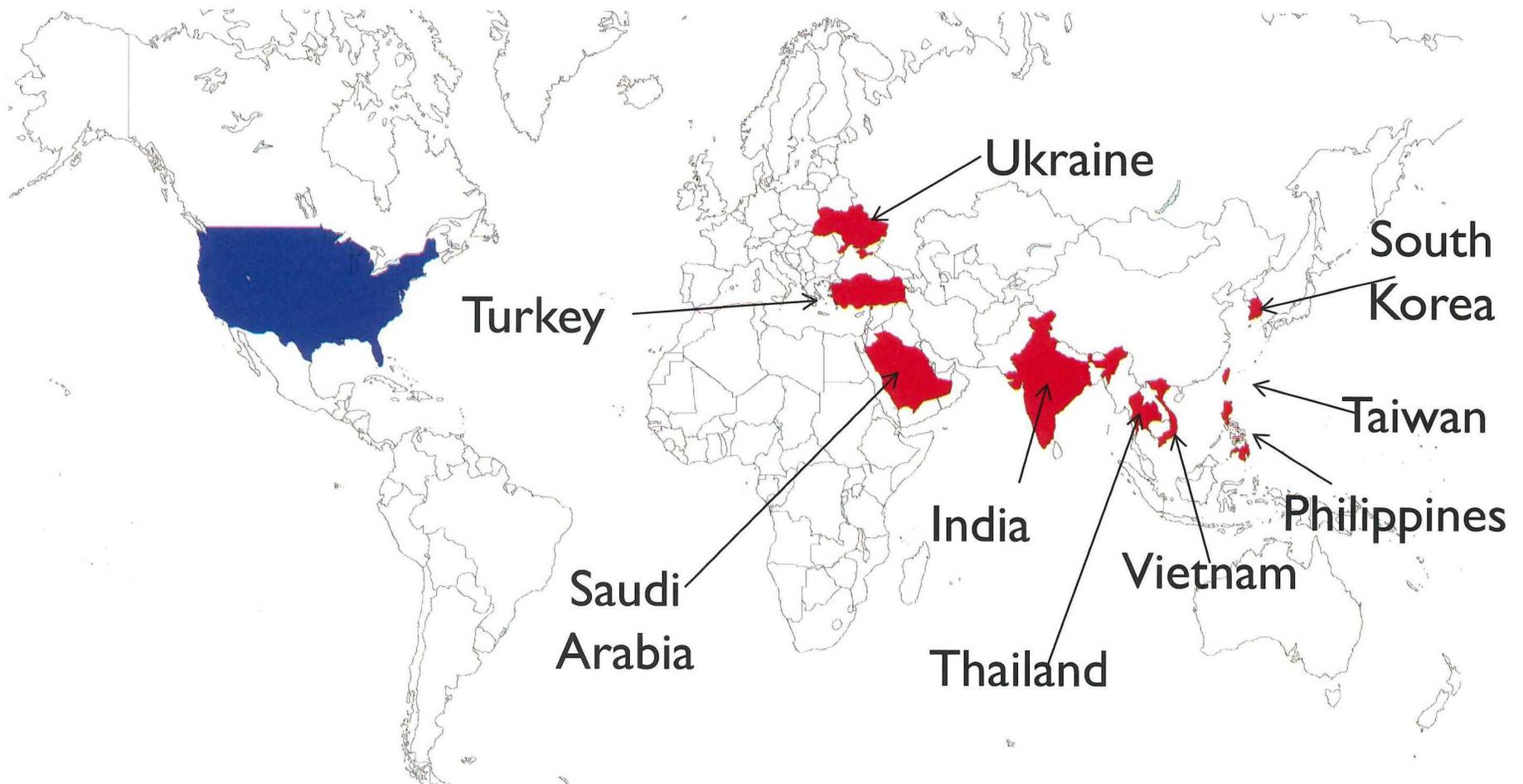
# The Nine Subject Countries Represent a Unique Cause of Material Injury

# From 2010 to 2012, There Were Only 11 Countries with Significant Shipments Where U.S. Imports of OCTG Rose by 45 Percent or More

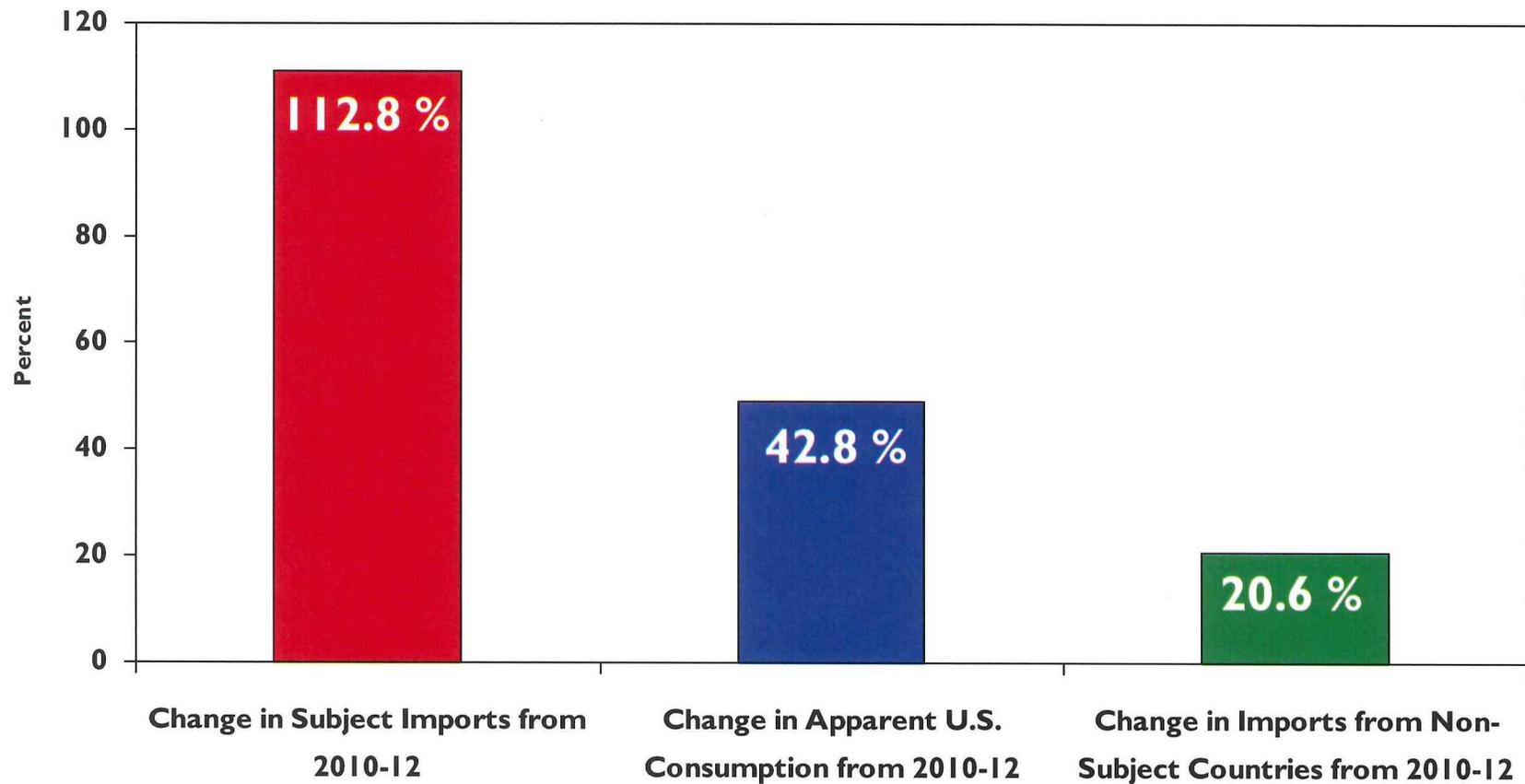


Source: U. S. Steel Pre-Hearing Brief at Exhibit 10 (Public Version).

# All but Two of those Countries **Attacked** this Market with **Low-Priced Imports**



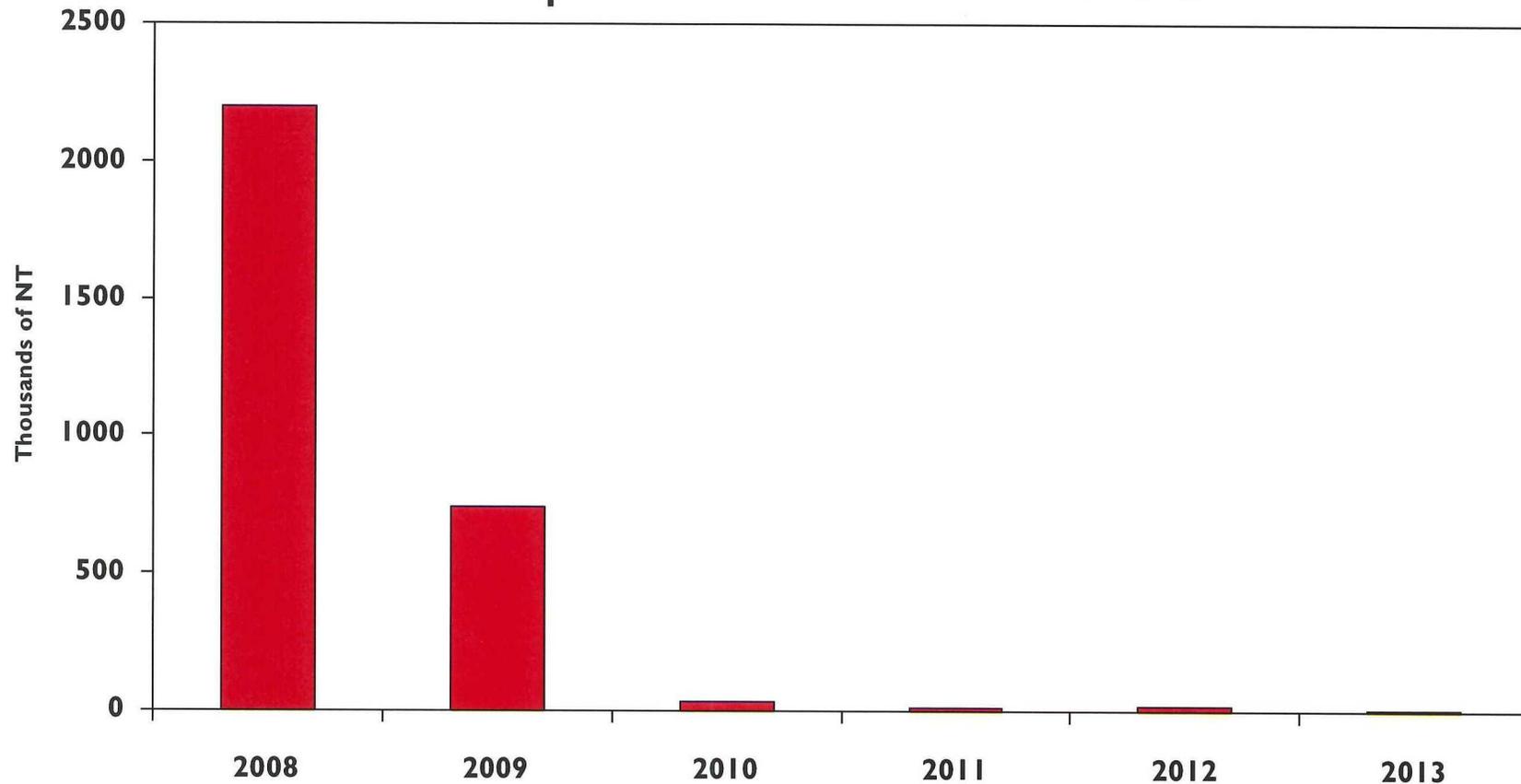
# Subject Imports Surged Almost *Three Times Faster* than Demand



# The Volume of Subject Imports Is Significant

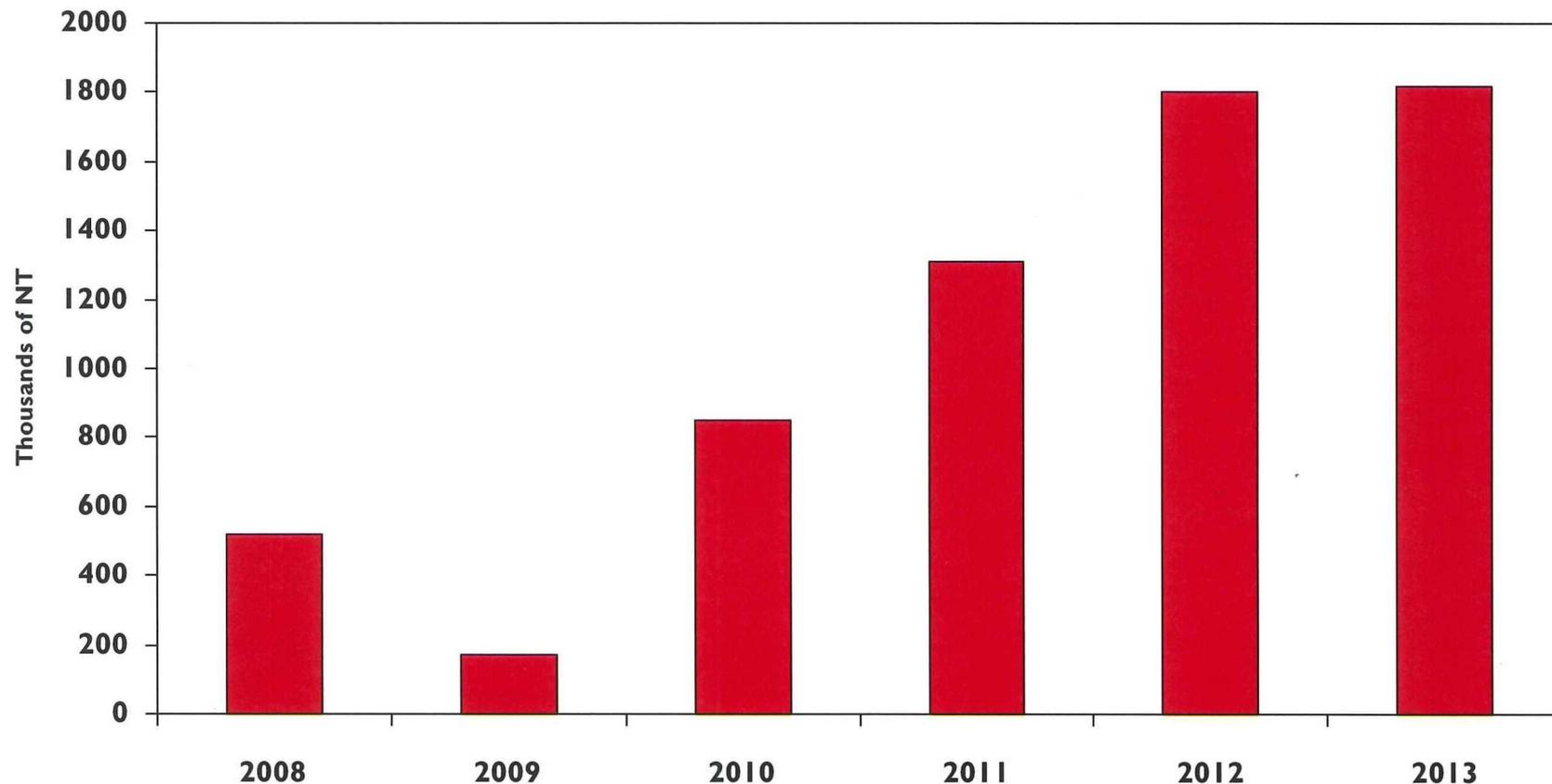
# Trade Relief Against Chinese Imports Has Been Extremely Effective

## U.S. Imports of OCTG from China



## But Domestic Producers Immediately Faced a New Surge of Unfair Trade

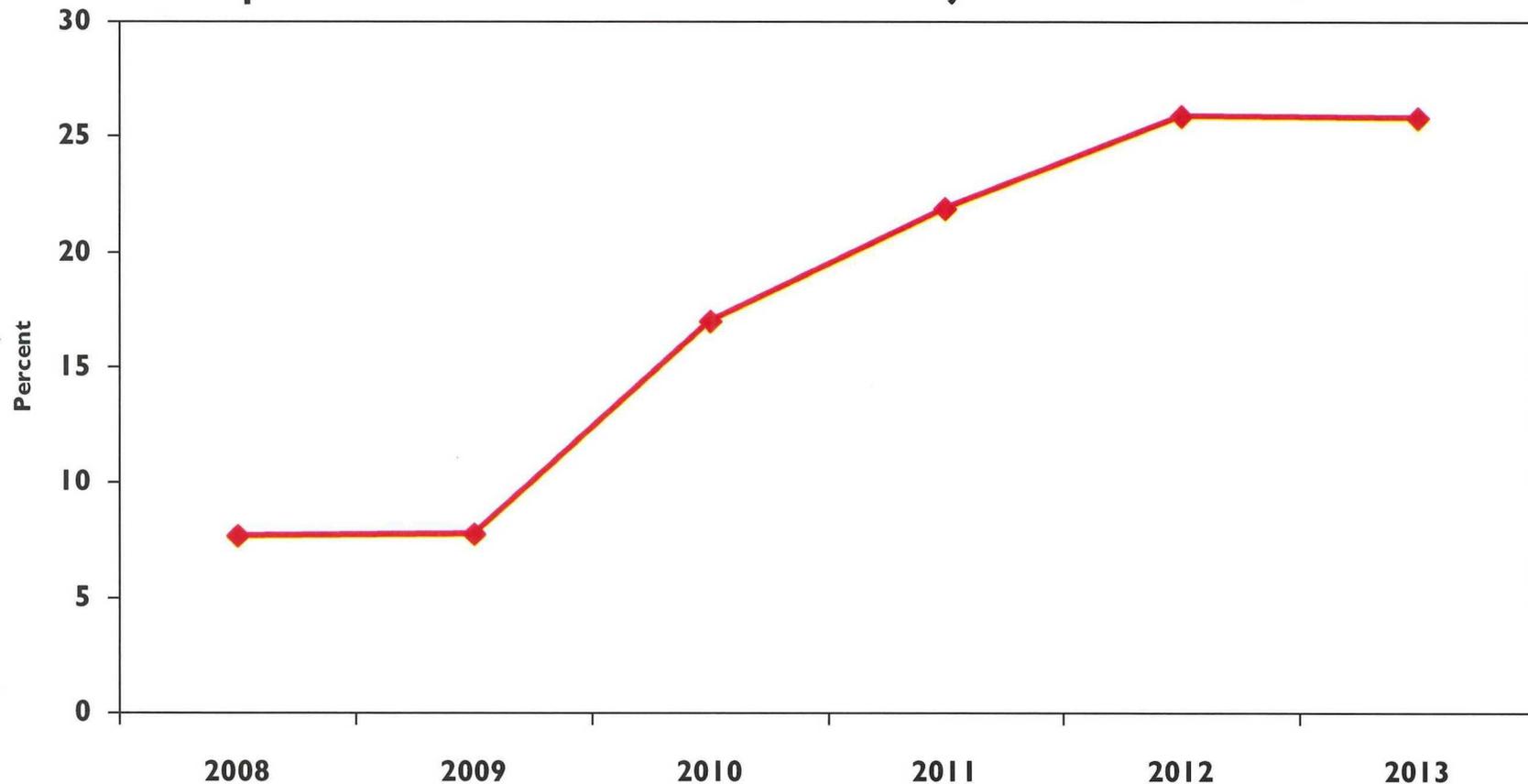
### U.S. Imports of OCTG from the Subject Countries, 2008-13



Source: Data for 2008 and 2009 from U. S. Steel Pre-Hearing Brief at Exhibit 10 (Public Version); data for 2010 from Staff Report from Preliminary Phase of the Investigation at C-3 (Public Version); data for 2011-13 from U. S. Steel Pre-Hearing Brief at Exhibit 8 (Public Version).

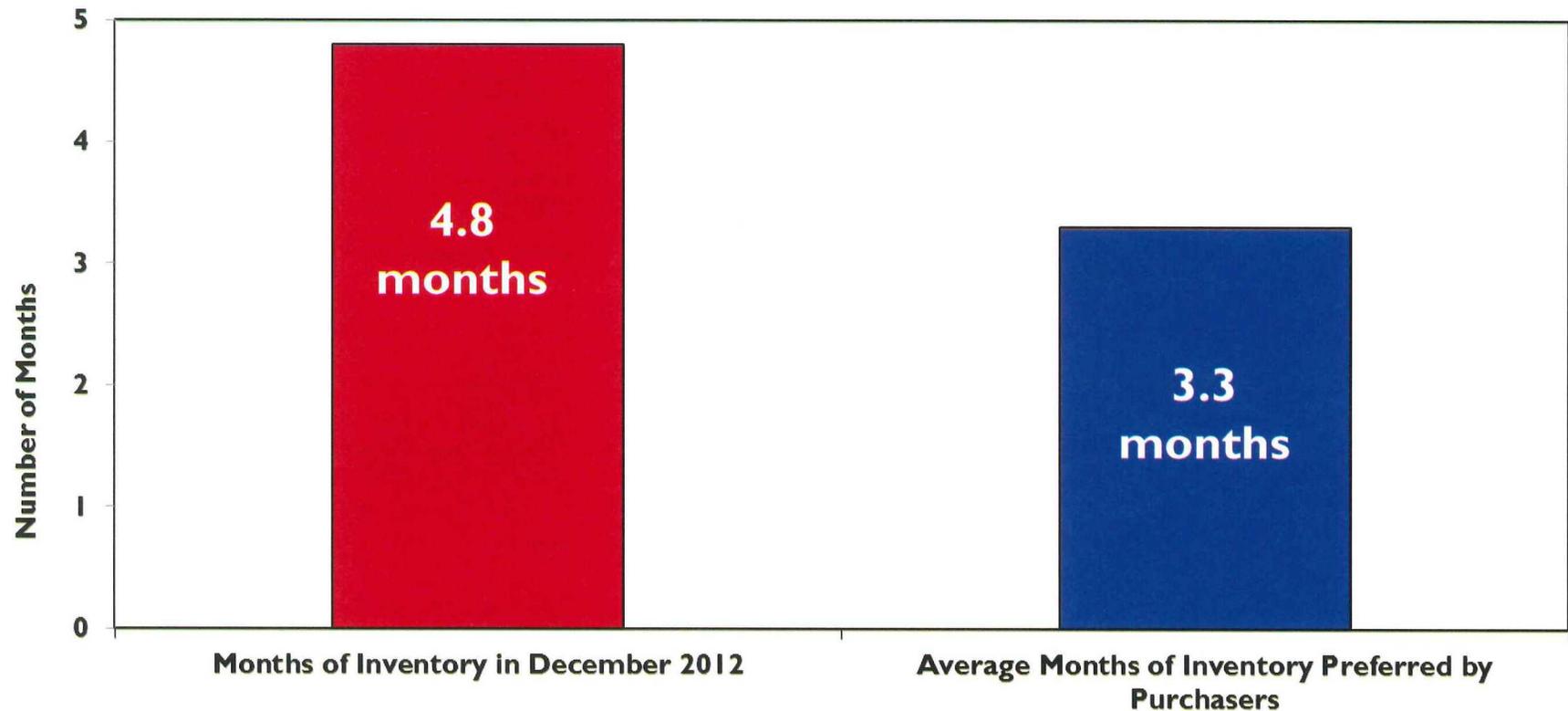
# Since 2012, Subject Imports Have Held **One Quarter** of the U.S. Market

## U.S. Imports of OCTG from the Subject Countries, 2008-13



Source: Percentages represent subject imports as a percentage of apparent U.S. consumption. Subject import volumes from slide 8. 2008 apparent U.S. consumption data from *Oil Country Tubular Goods from China*, USITC Pub. 4124 (Jan. 2010) (Final) at C-3; 2009 apparent U.S. consumption data from *Preston Pipe and Tube Report*; 2010 apparent U.S. consumption data from Preliminary Determination at C-3; 2011-13 apparent U.S. consumption data from Staff Report at C-3 (Public Version).

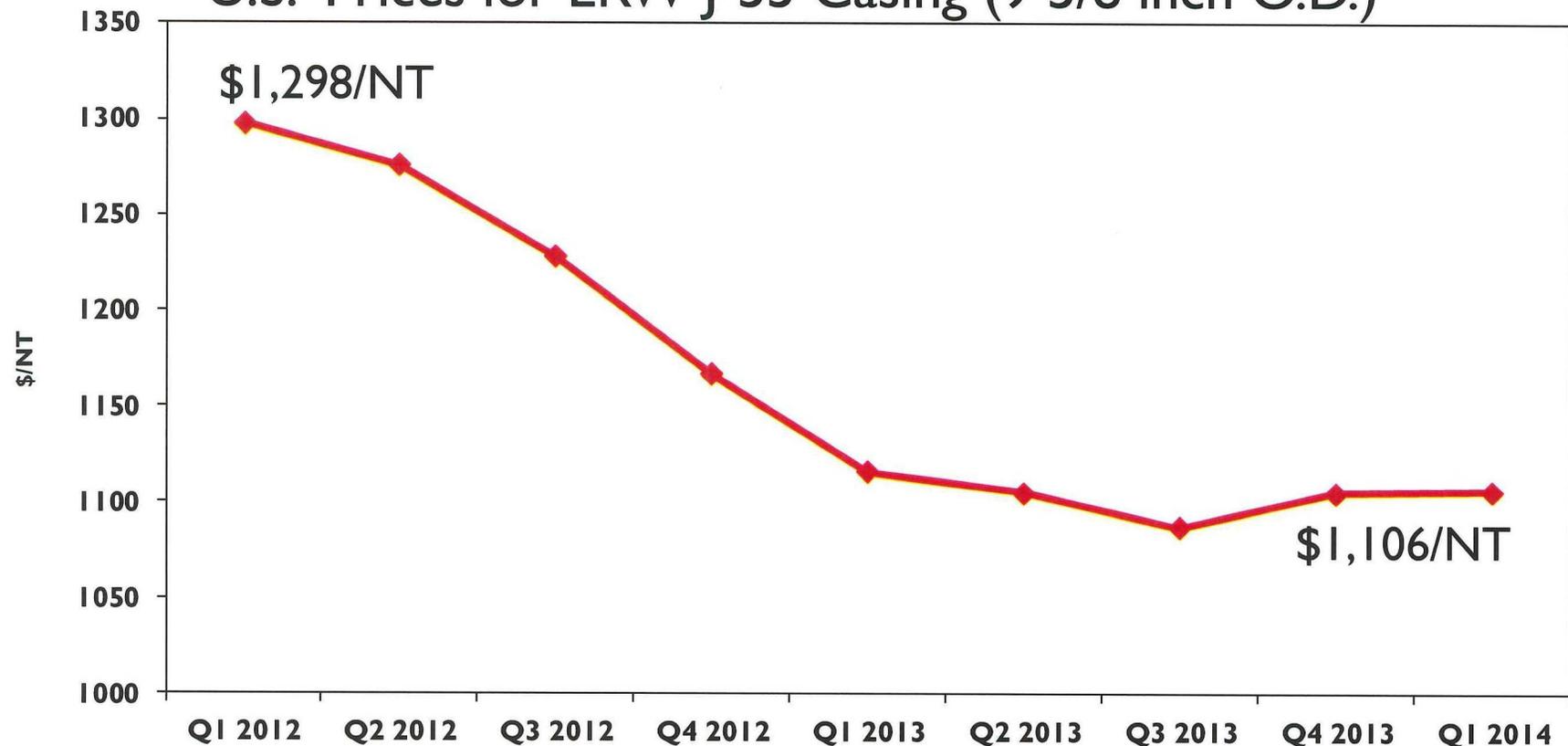
# By the End of 2012, There Was a Significant *Oversupply in U.S. Inventories*



Source: Inventory data for December 2012 from *Preston Pipe and Tube Report*. For average months of inventory preferred by purchasers, see Staff Report at II-12 (Public Version).

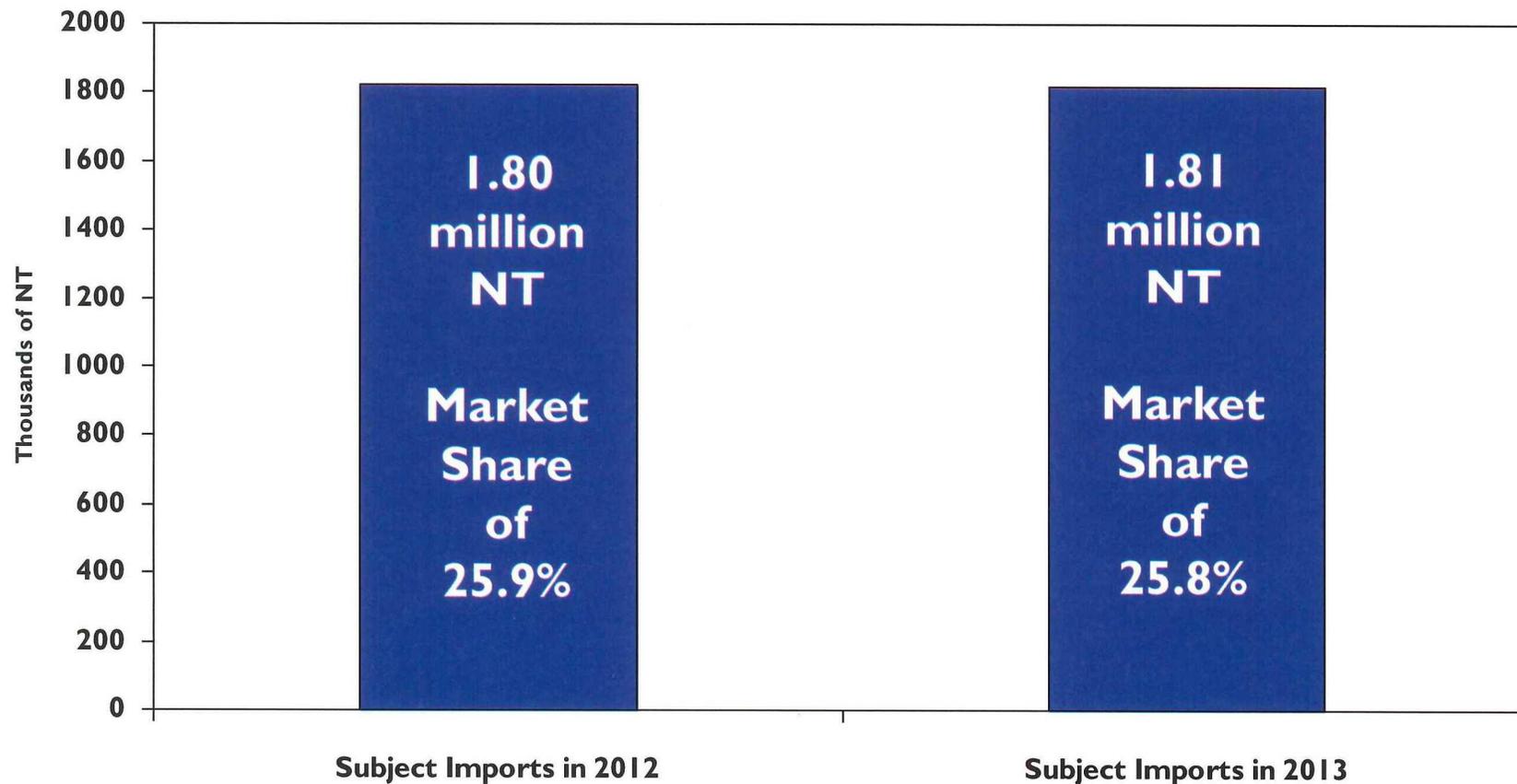
# U.S. Mills *Were Forced to Slash Prices* in an Effort to Retain Market Share

## U.S. Prices for ERW J-55 Casing (9 5/8 inch O.D.)



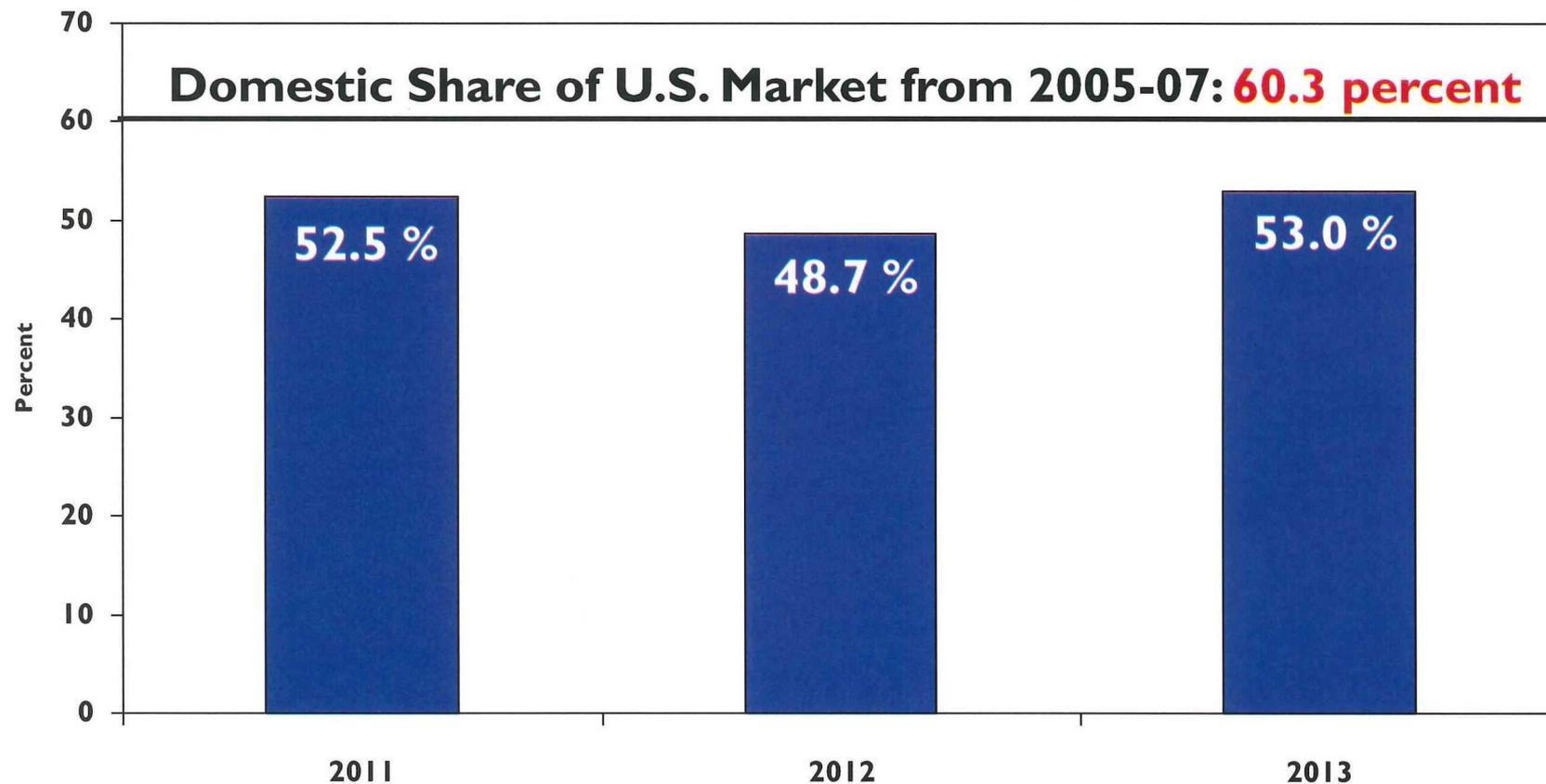
# But Subject Imports *Continued to Attack this Market*

## Volume of Subject Imports, 2012 and 2013



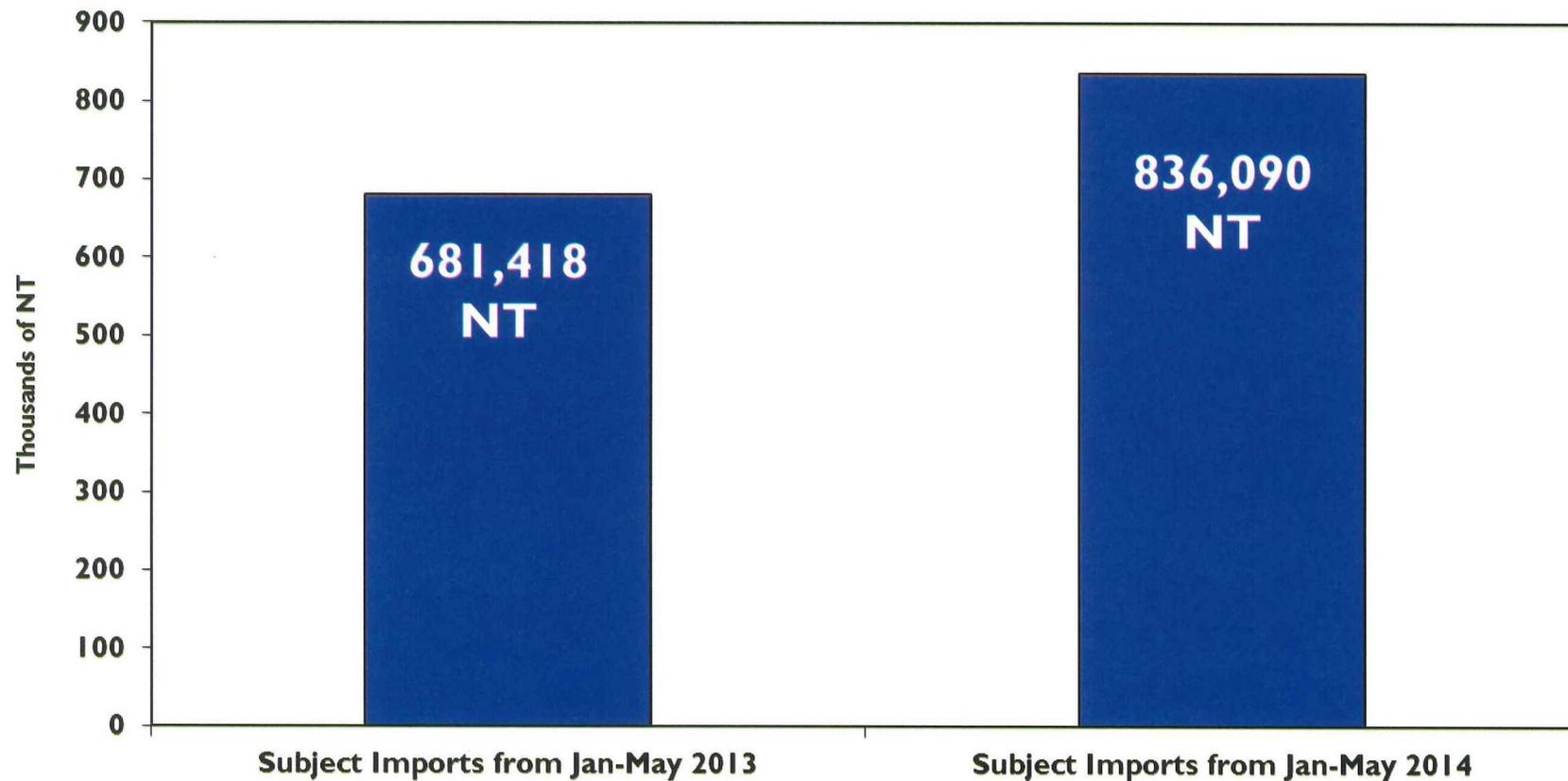
# Meanwhile, the Market Share of Domestic Producers Remained Well Below Pre-Crisis Levels

Share of Apparent U.S. Consumption Held by Domestic Shipments

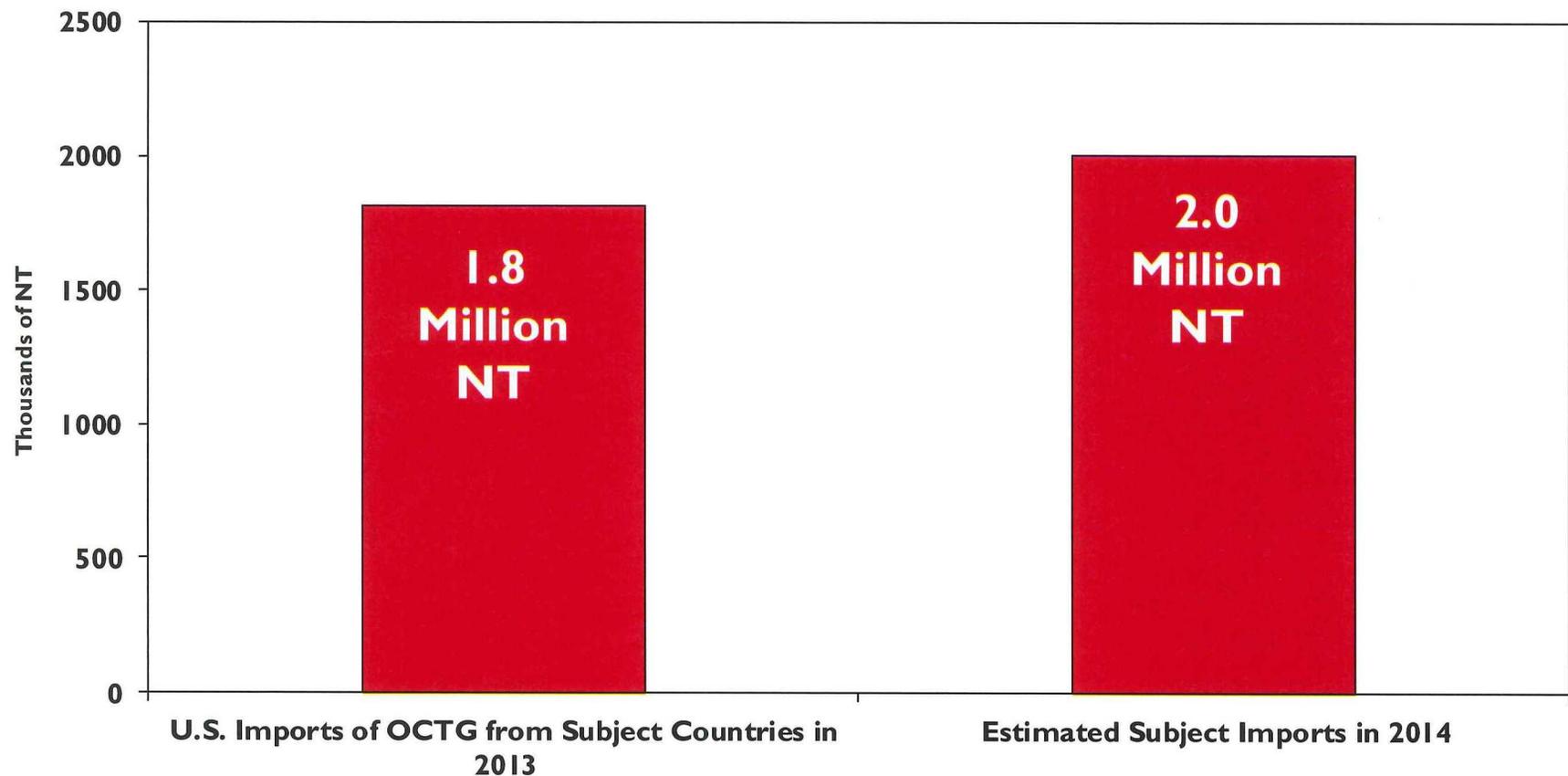


Source: For domestic share of U.S. market in 2005; see *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico*, USITC Pub. 3923 (June 2007) (Second Review) at C-3; for domestic share of U.S. market in 2006 and 2007, see *Oil Country Tubular Goods from China*, USITC Pub. 4124 (Jan. 2010) (Final) at C-3; for domestic share of U.S. market in 2011-13, see Staff Report at C-3 (Public Version).

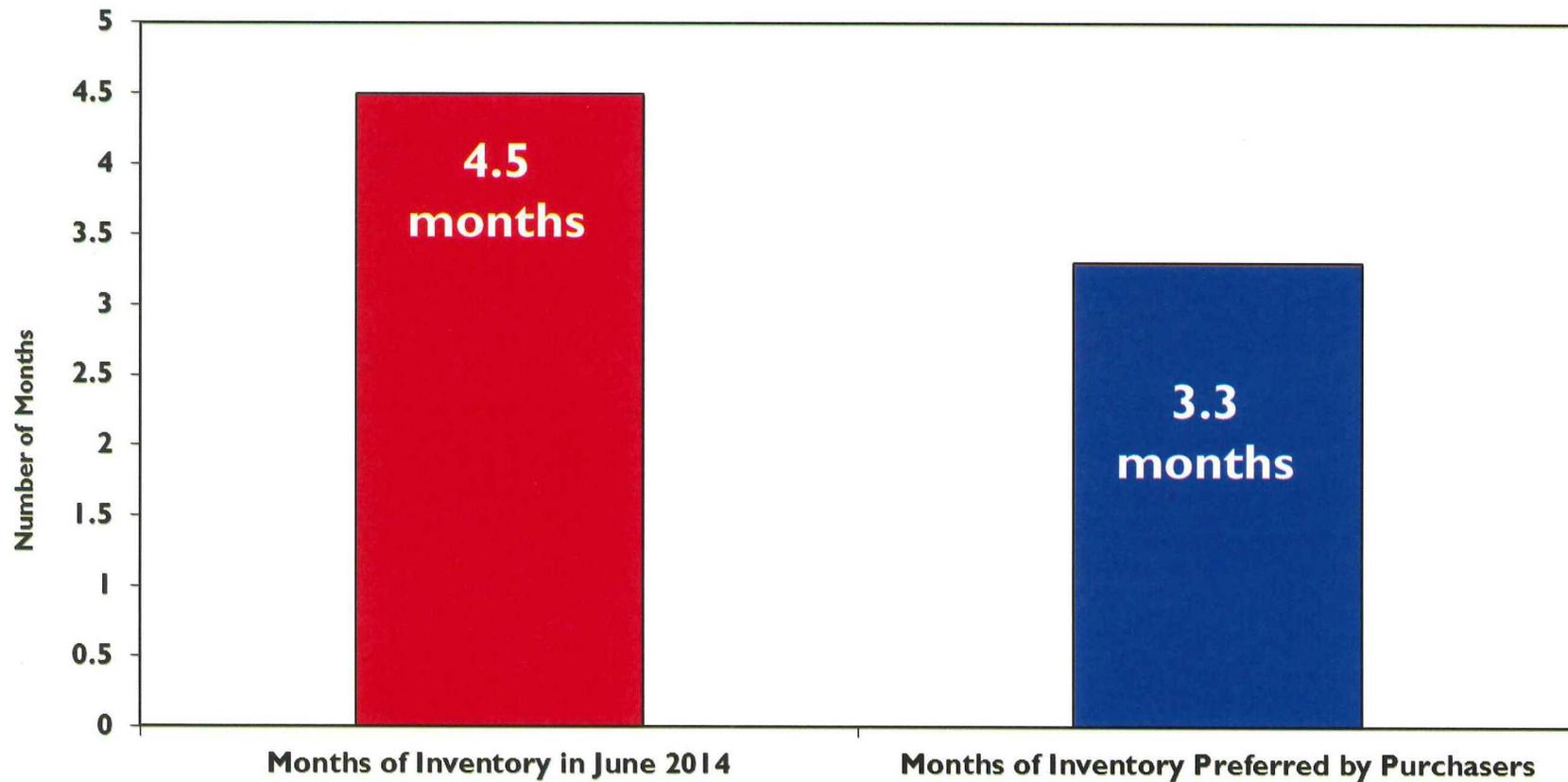
Through the First Five Months of this Year,  
Subject Imports Rose by **22.7 Percent**



# Through May, Subject Imports Were on Pace to *Exceed 2 Million Tons* in 2014



# While Last Month, Inventory Volumes Were *Still Too High*



Source: Inventory data for June 2014 from *Preston Pipe and Tube Report*. For average months of inventory preferred by purchasers, see Staff Report at II-12 (Public Version).

**The Price Effects of Subject Imports Are  
Significant**

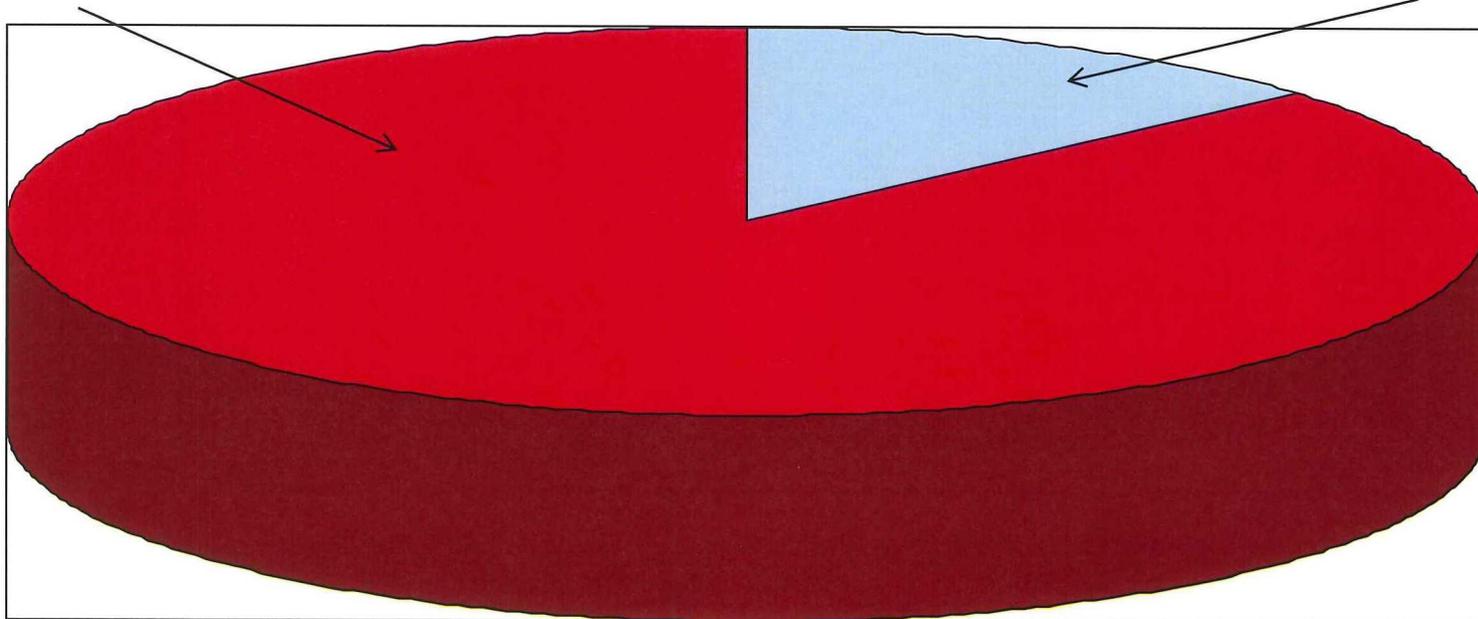
## In the U.S. Market, **Competition Takes Place on the Basis of Price**

- All 53 responding purchasers reported that ***price is one of the top three factors*** used in purchasing decisions
- For all nine subject countries, a strong majority of purchasers reported that ***subject imports and the domestic like product are interchangeable***
- For all nine subject countries, between 20 and 30 responding purchasers stated that they ***are not willing to pay any premium for domestic OCTG***
- Thus, underselling by subject producers forces U.S. mills ***to either cut prices or lose sales***

# Subject Imports Undersold the Domestic Like Product in **Almost 87 Percent** of Comparisons

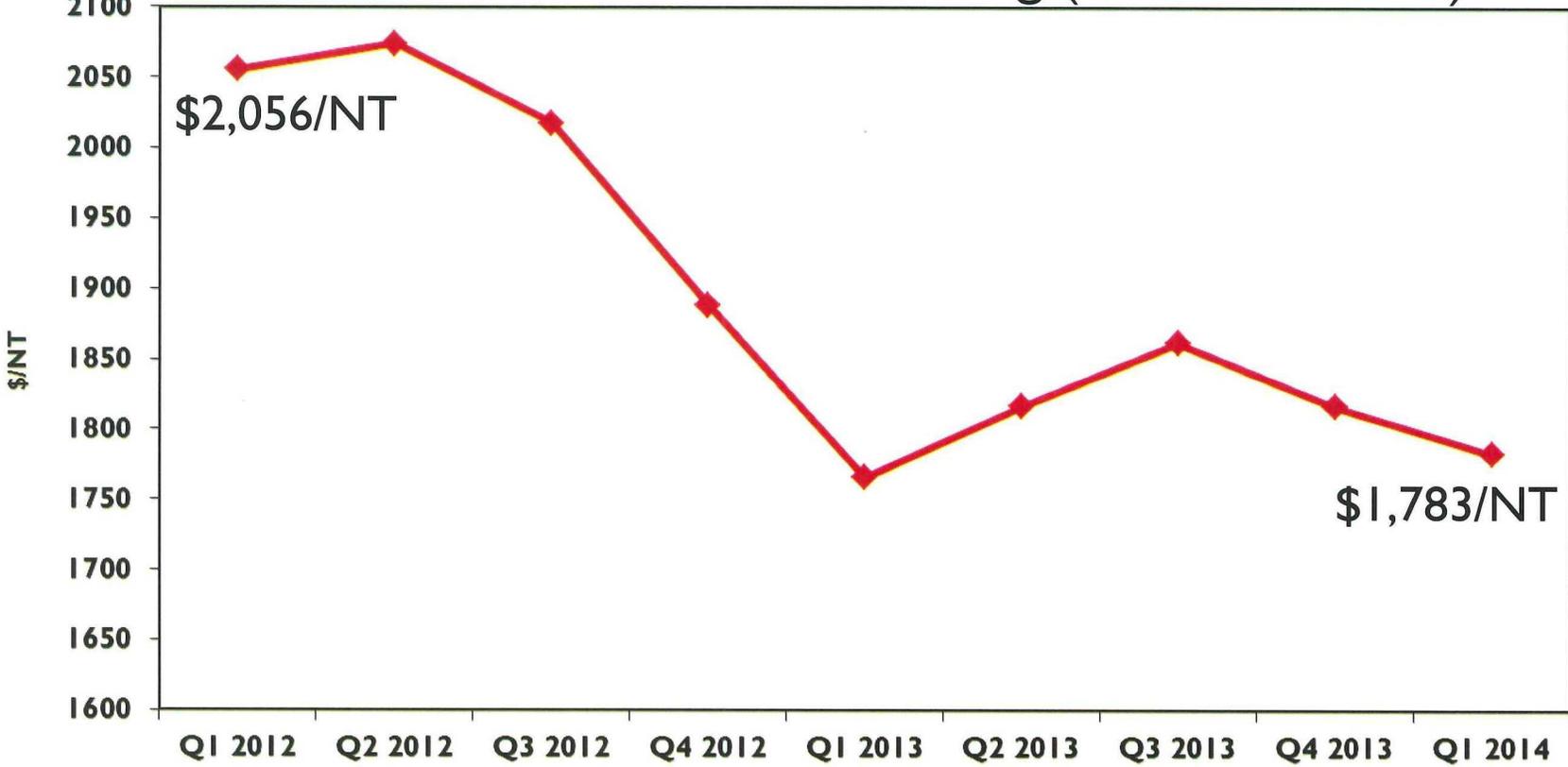
Underselling by Subject Imports

Overselling by Subject Imports



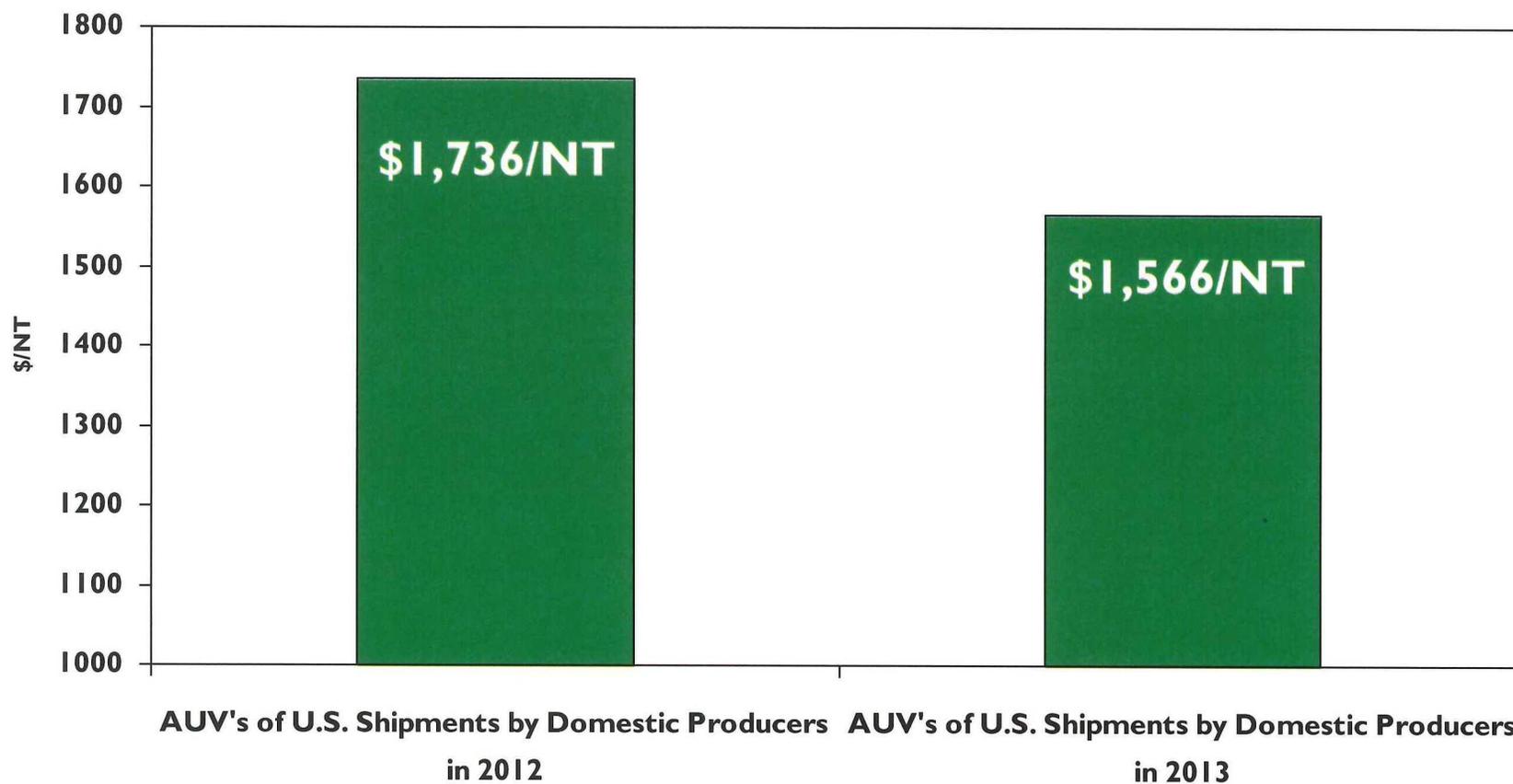
# This Underselling Affected Higher Grade Products

## U.S. Prices for Seamless L-80 Tubing (2 7/8 inch O.D.)

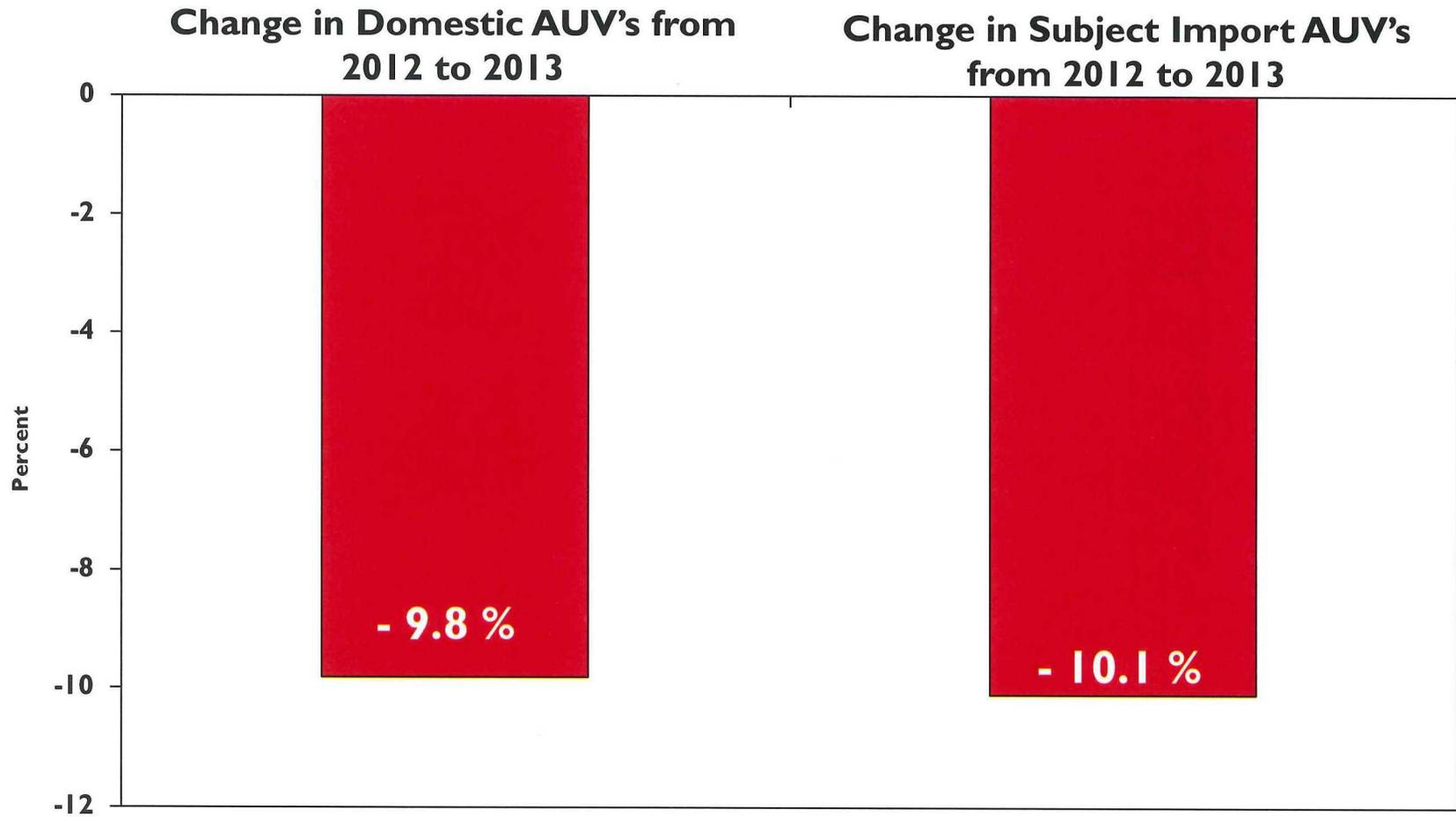


Source: Staff Report at V-17 (Public Version)

## From 2012 to 2013, Average Domestic Prices *Fell by Almost 10 Percent*



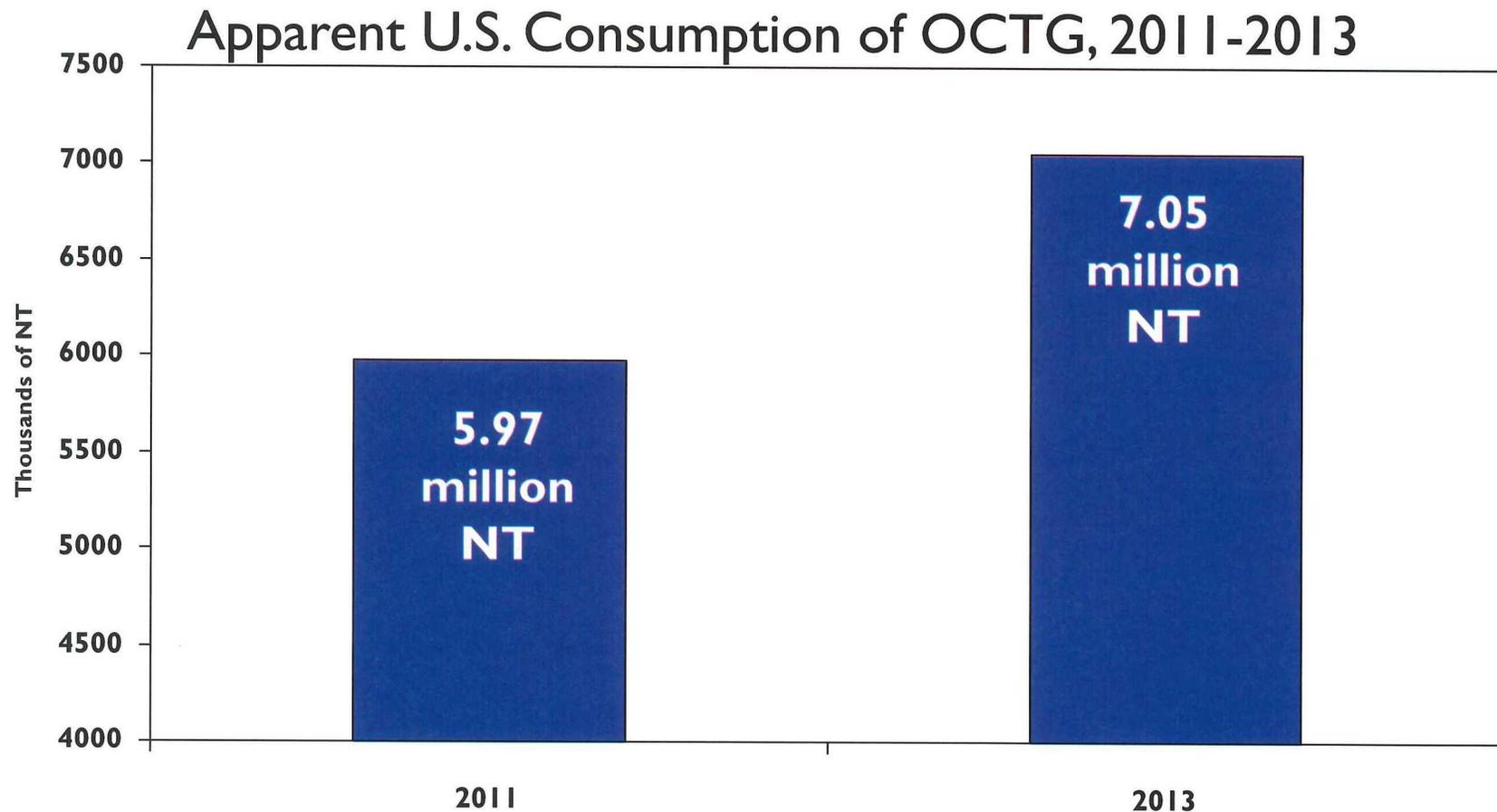
# But Subject Import Prices Fell by an *Even Greater Percentage*



Source: For decline in domestic AUV's, see Staff Report at C-4 (Public Version); for decline in subject import AUV's, see U. S. Steel Pre-Hearing Brief at Exhibit 16 (Public Version).

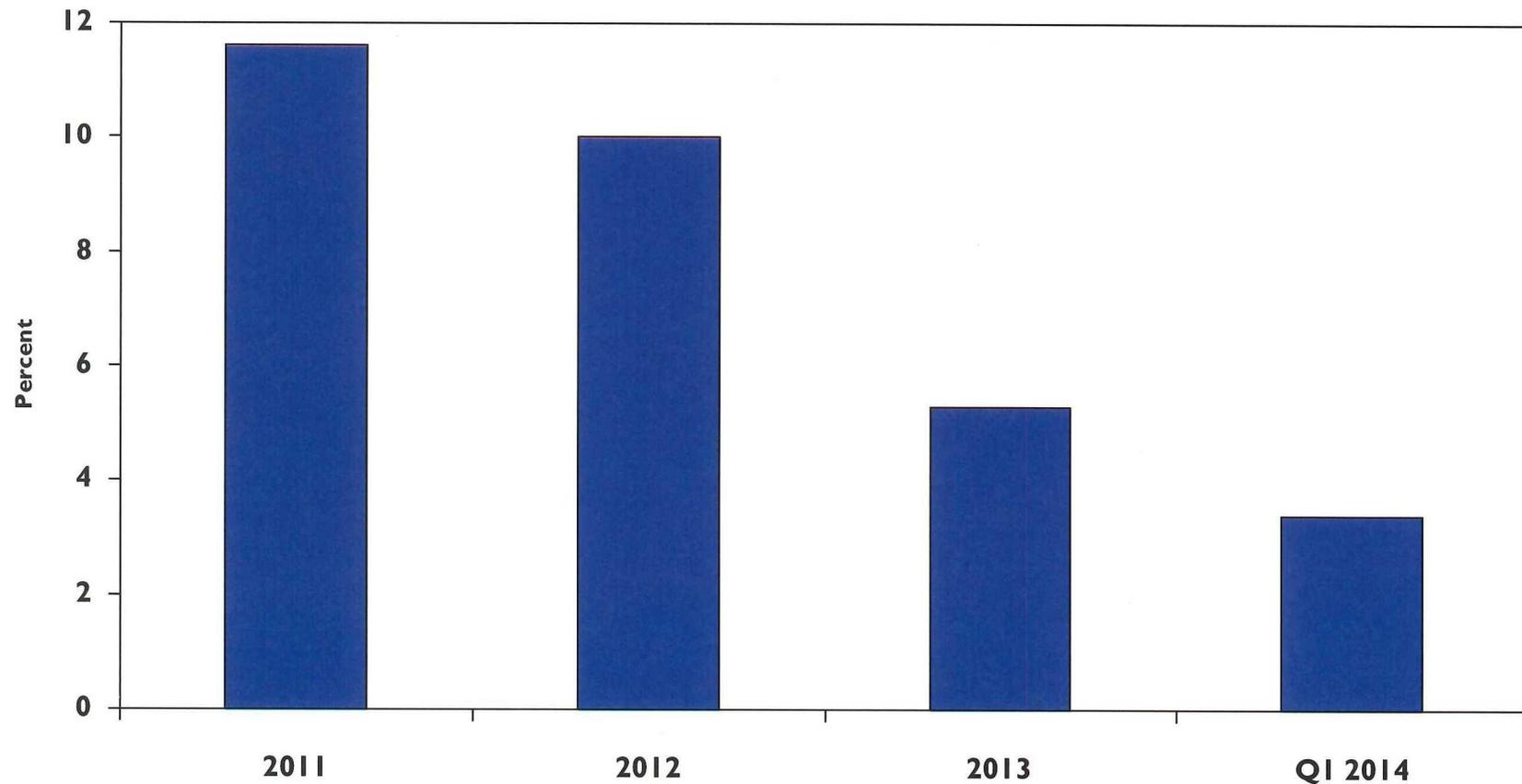
**The Impact of Subject Imports Is  
Significant**

# From 2011 to 2013, U.S. Demand for OCTG Grew by Almost *1.1 Million Tons*

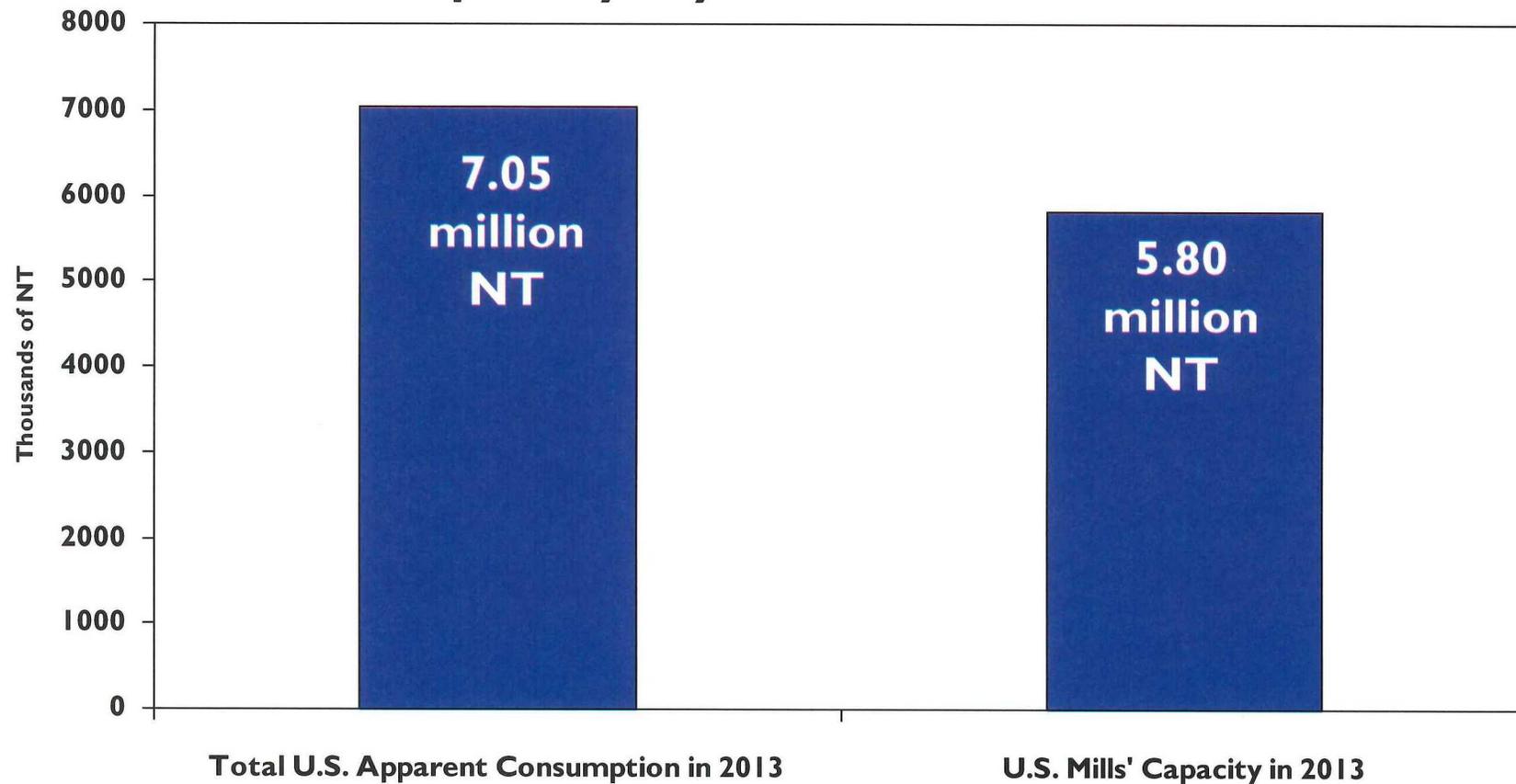


# But the **Operating Margin of U.S. Mills Has Collapsed**

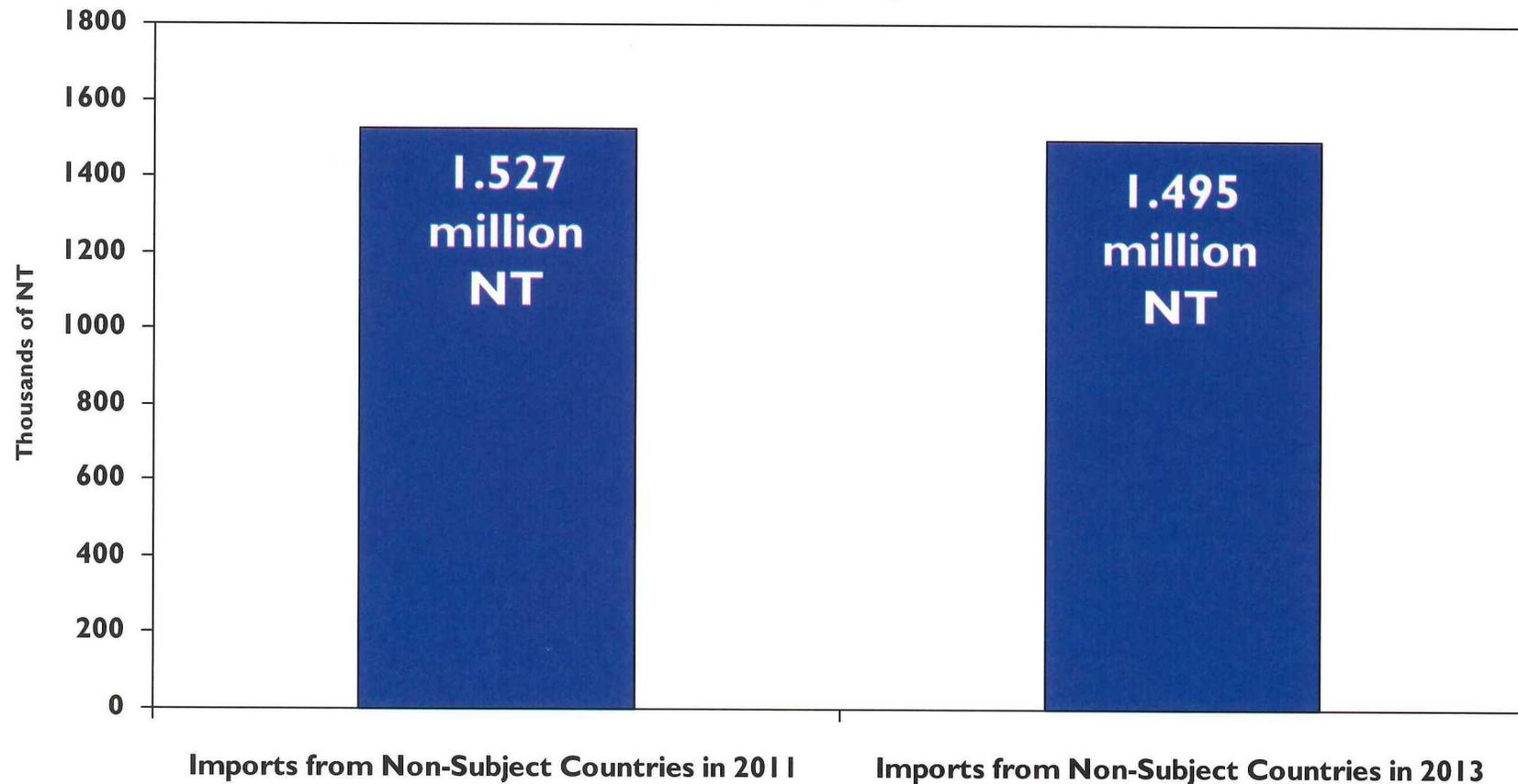
## Operating Margin of U.S. Mills



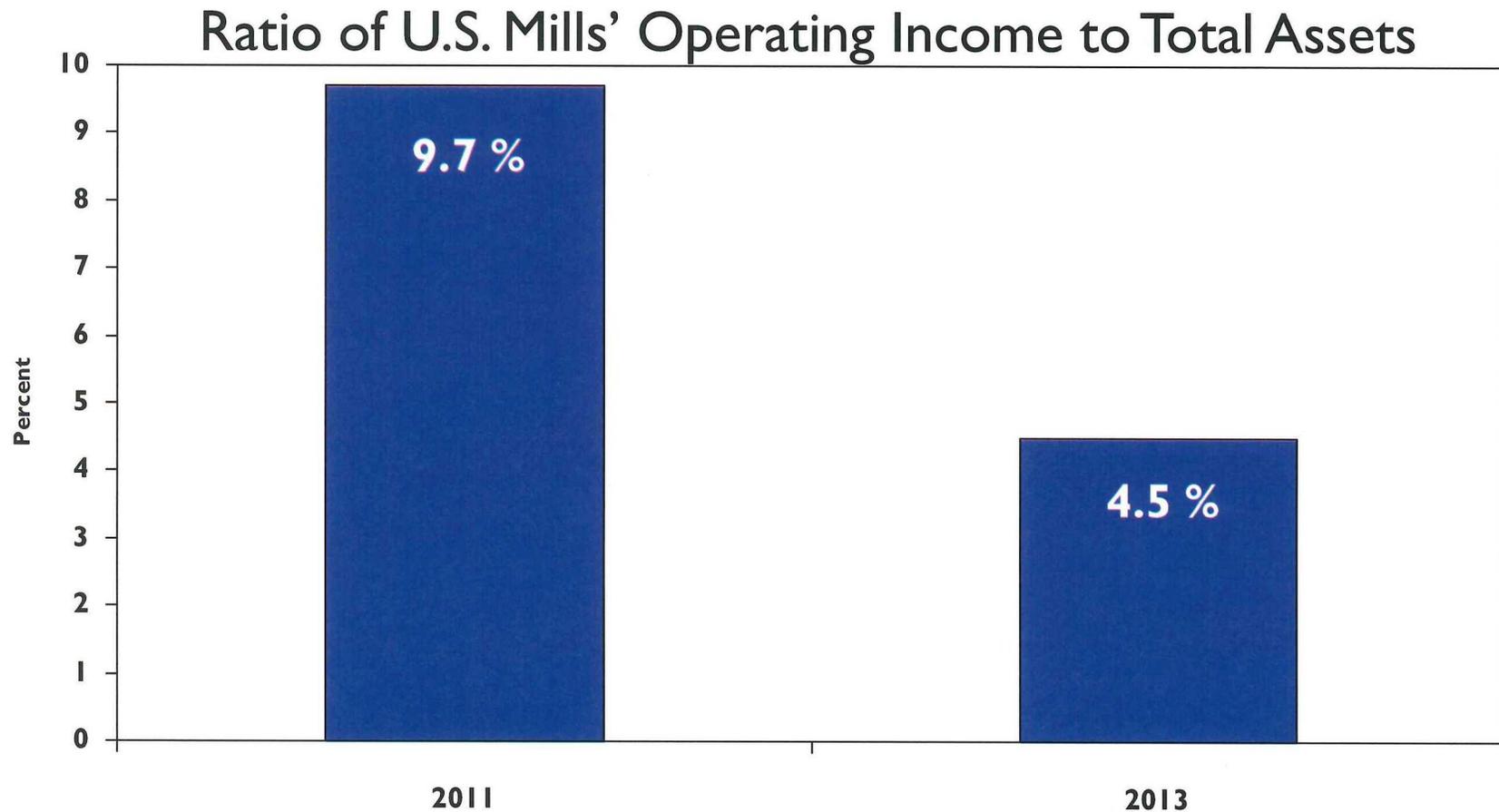
# Domestic Capacity Is Not the Problem: In 2013, Apparent U.S. Consumption *Exceeded* U.S. Mills' Capacity by *1.25 Million Tons*



# Imports from Non-Subject Countries Are Not the Problem: They Declined from 2011 to 2013



# Last Year, U.S. Mills Made a Return of **Only 4.5 Percent** on their Investments



## Additional Evidence of Impact Is Compelling

- From 2011 to 2013, the domestic industry's capital expenditures ***fell by almost 49 percent***
- U. S. Steel was forced to take an ***\$800 million write down*** on its Texas Operations
- Northwest Pipe, one of the original petitioners here, ***has given up on the OCTG business***

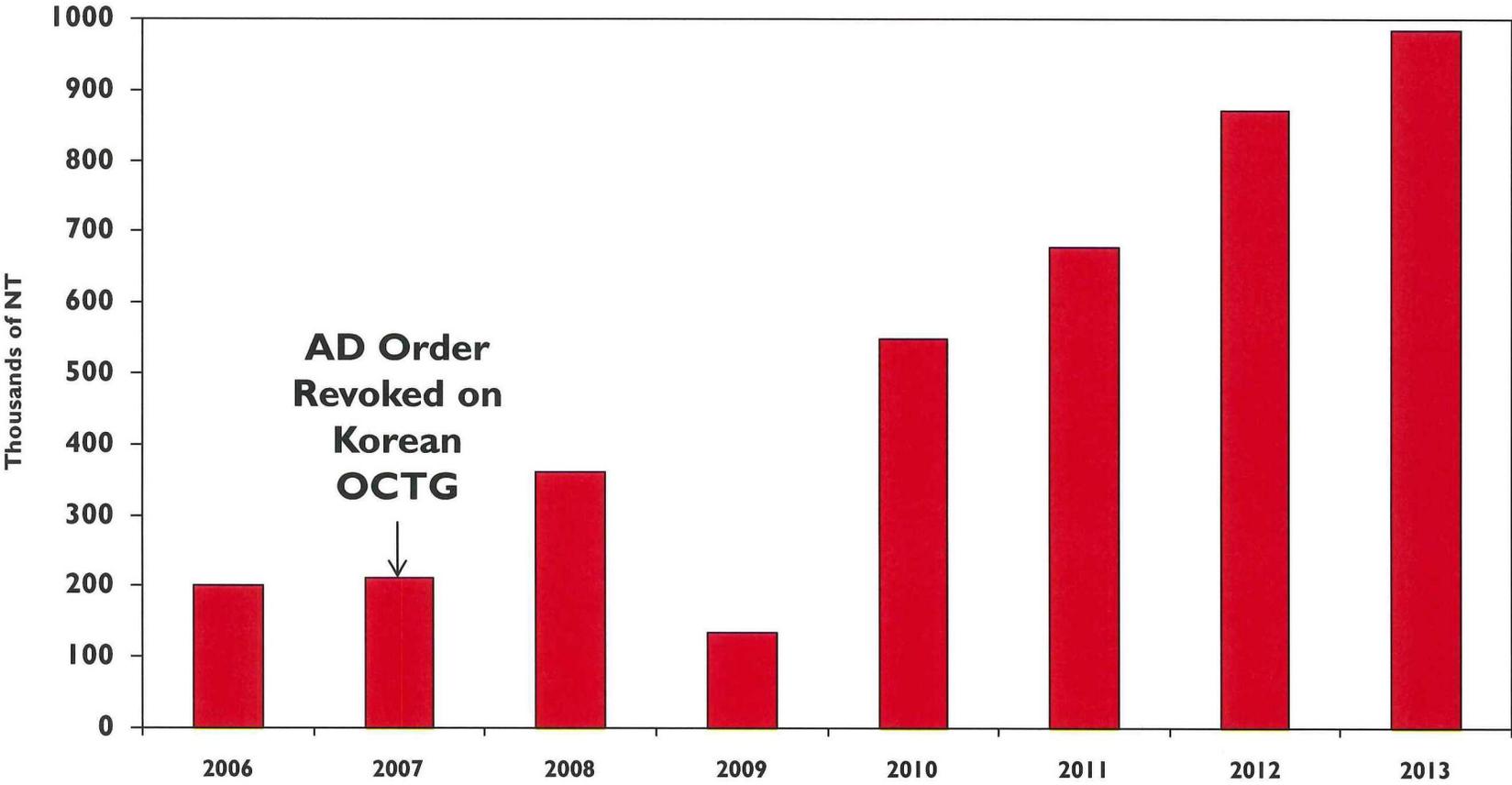
**Subject Imports Threaten U.S. Mills with  
Further Material Injury**

## Imports from **All Nine Subject Countries** Surged after Chinese Imports Left this Market

Country	2010	2013
<b>S. Korea</b>	548,886	985,783
<b>India</b>	104,527	153,356
<b>Vietnam</b>	145	144,857
<b>Turkey</b>	85,222	133,773
<b>Taiwan</b>	56,594	112,679
<b>Philippines</b>	0	73,254
<b>Ukraine</b>	32,480	71,211
<b>S.Arabia</b>	12,458	53,560
<b>Thailand</b>	0	33,741

# Korean Shipments Grew Rapidly after an AD Order on Korean OCTG Was Revoked

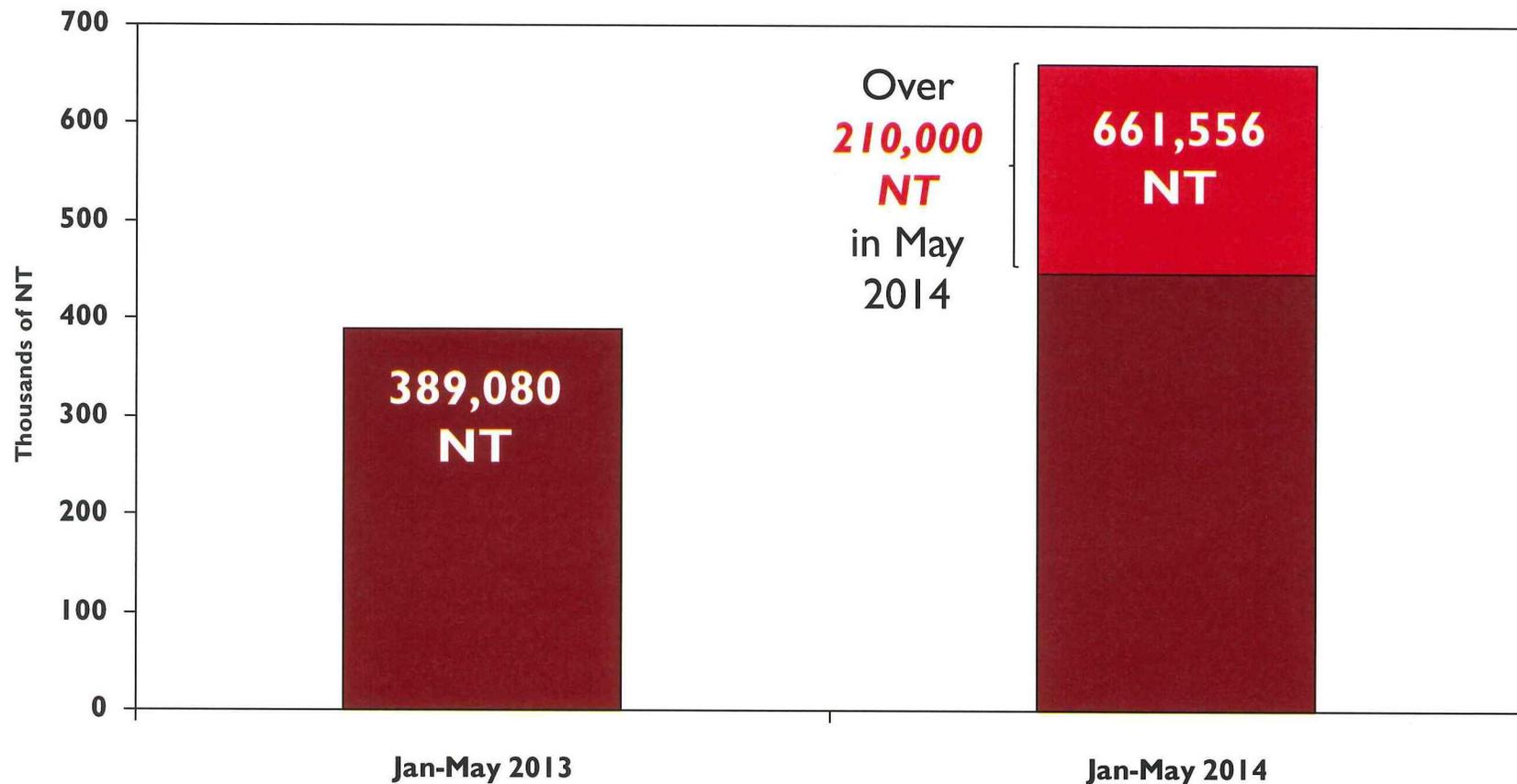
## U.S. Imports of OCTG from South Korea



Source: Data for 2007-13 from U. S. Steel Pre-Hearing Brief at Exhibit 10 (Public Version). Data for 2006 from U.S. Department of Commerce Steel Import Monitor.

# Korean Shipments Have *Continued to Surge*

## U.S. Imports of OCTG from Korea



Subject Mills Have **Strong Incentives** to Increase Shipments to this Country

- Numerous subject mills **were built to circumvent the order on Chinese OCTG**
- Many subject producers **have no other significant alternative markets**
- OCTG from China **has poured into third country markets** all over the world

# In 2012, Almost **75 Percent** of All OCTG Shipments by Subject Mills Came to the United States

Exports to the United States

All Other Shipments

