Certain Oil Country Tubular Goods from China

Investigation No. 701-TA-463 (Final)

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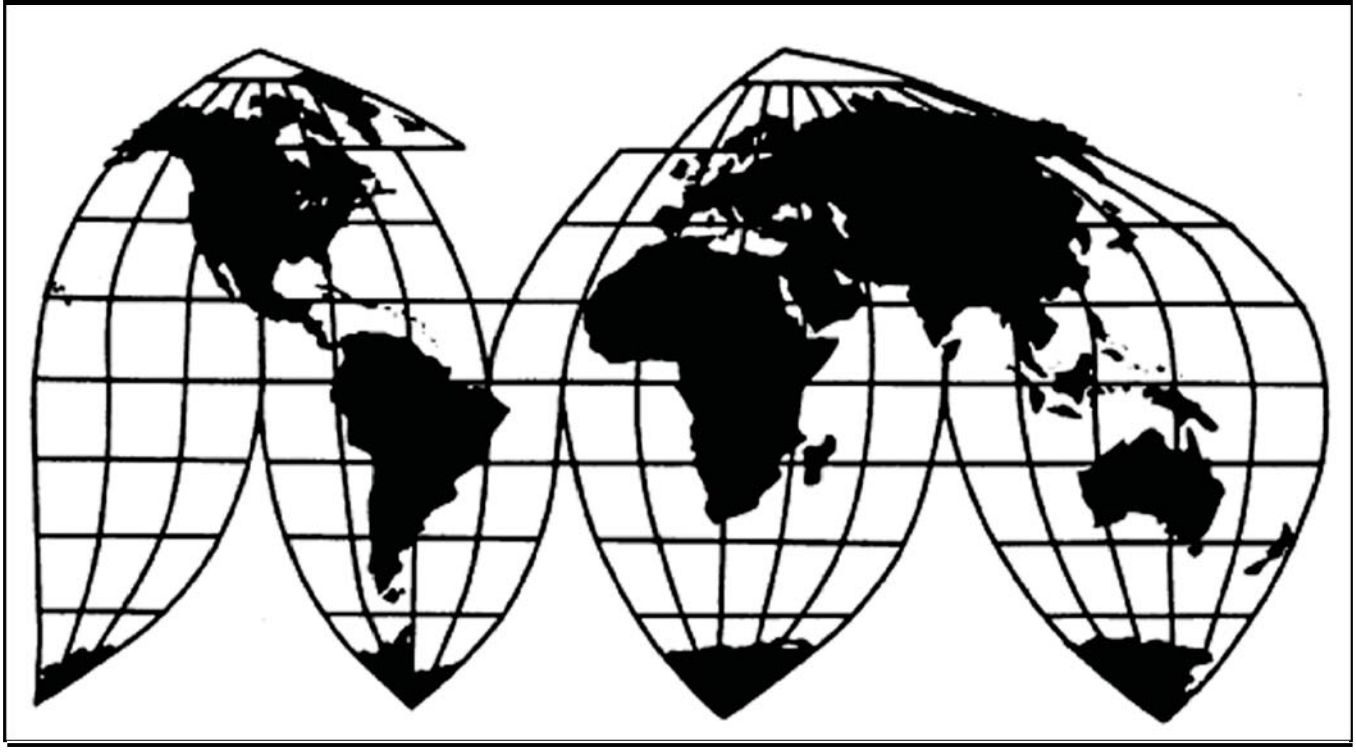
U.S. International Trade Commission



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U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 701-TA-463 (Final)

CERTAIN OIL COUNTRY TUBULAR GOODS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) (the Act), that an industry in the United States is threatened with material injury by reason of imports from China of certain oil country tubular goods ("OCTG"), primarily provided for in subheadings 7304.29, 7305.20, and 7306.29 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be subsidized by the Government of China.[2] [3]

BACKGROUND

The Commission instituted this investigation effective April 8, 2009, following receipt of a petition filed with the Commission and Commerce by Maverick Tube Corporation, Houston, TX; United States Steel Corporation, Pittsburgh, PA; V&M Star LP, Houston, TX; V&M Tubular Corporation of America, Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp., Wheatland, PA; and the United Steel, Paper, and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC, Pittsburgh, PA. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of certain oil country tubular goods from China were being subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)). Notice of the scheduling of the final phase of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of September 30, 2009 (74 FR 50242). The hearing was held in Washington, DC, on December 1, 2009, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioners Charlotte R. Lane and Irving A. Williamson determine that the domestic OCTG industry is materially injured by reason of imports of the subject merchandise from China.

[3] Chairman Shara L. Aranoff, Vice Chairman Daniel R. Pearson, Commissioner Deanna Tanner Okun, and Commissioner Dean A. Pinkert determine that they would not have found material injury but for the suspension of liquidation.

VIEWS OF THE COMMISSION

Based on the record in the final phase of this investigation, we find that an industry in the United States is threatened with material injury by reason of certain imports of oil country tubular goods ("OCTG") from China that are subsidized by the Government of China.[1]

I. BACKGROUND

The petition in this investigation was filed on April 8, 2009. The petitioners are domestic producers Maverick Tube Corporation ("Maverick"), Houston, Texas; United States Steel Corporation ("U.S. Steel"), Pittsburgh, Pennsylvania; V&M Star LP ("V&M"), Houston, Texas; V&M Tubular Corporation of America, Houston, Texas; TMK IPSCO, Camanche, Iowa; Evraz Rocky Mountain Steel ("EVRAZ"), Pueblo, Colorado; Wheatland Tube Corp. ("Wheatland"), Wheatland, Pennsylvania; and the trade union United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, Pittsburgh, Pennsylvania ("Steel Workers") (collectively, "petitioners"). The petitioners filed prehearing and posthearing briefs and appeared at the hearing. The Chinese producers or exporters of OCTG that filed prehearing and posthearing briefs and appeared through counsel at the hearing include Tianjin Pipe (Group) Corporation; Baosteel Group Corporation; Zhejiang Jianli Group; Jiangsu Changde Steel Tube Share Co., Ltd.; Wuxi Seamless Oil Pipe Co., Ltd.; Baotou Iron & Steel (Group) Co., Ltd.; Anhui Tianda Oil Pipe Co., Ltd.; Pangang Group Chengdu Iron & Steel Co., Ltd.; Shengli Oilfield Highland Petroleum Equipment Co., Ltd.; Jiangsu Changbao Steel Tube Co., Ltd; Hengyang Valin Steel Tube Co., Ltd.; and Angang Steel Company Limited (collectively, "Respondents").

There are 12 mills and processors believed to be producing OCTG in the United States, of which seven responded with usable data.[2] These questionnaire responses account for over *** percent of domestic mill production and shipments of OCTG.[3] The Commission received usable preliminary and/or final phase questionnaire responses from importers accounting for 77.9 percent of total U.S. OCTG imports from China in 2008.[4] [5] The Commission also received usable questionnaire responses from 16 Chinese producers/exporters, which accounted for approximately *** percent of production capacity of OCTG and related tubular products in China during 2008, approximately 56 percent of total exports of OCTG from China in 2009 and 66 percent of exports from China to the United States in 2008.[6]

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[1] Commissioners Lane and Williamson determine that the domestic industry is materially injured by reason of subject imports. See Separate Views of Commissioners Charlotte R. Lane and Irving A. Williamson. They join in parts I-V of these Views.

[2] The Commission received responses from the seven petitioning firms, but several firms certified by the American Petroleum Institute ("API") to manufacture (Paragon Industries and Tex Tube) or process (Tejas Tubulars, Texas Steel Conversion, and Tubular Services, LP) OCTG provided *** data. See Confidential Staff Report, INV-GG-113 ("CR") at I-3, III-1, and Table III-1; Public Staff Report ("PR") at I-3, III-1, and Table III-1.

[3] CR/PR at III-1.

[4] CR/PR at IV-1.

[5] Ten importers that responded to the Commission's importer questionnaire in the preliminary phase of this investigation and the companion antidumping duty investigation did not respond in this final phase. The preliminary phase responses of these companies, which accounted for *** percent of subject imports from China in 2008, are reflected in the full year data in the Commission's staff report, but no data for those companies are included among the data for the interim periods (January - September 2008 and January - September 2009). CR/PR at IV-1 n.2.

[6] CR at VII-6-7, PR at VII-3-4. The coverage calculations for the Chinese industry include questionnaires submitted less than a week before the issuance of the staff report.

II. DOMESTIC LIKE PRODUCT

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[7] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic 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 the product."[8] In turn, the Tariff 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 ... ."[9]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[10] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[11] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[12] Although the Commission must accept the determination of the U.S. Department of Commerce ("Commerce") as to the scope of the imported merchandise subsidized or sold at LTFV,[13] the Commission determines what domestic product is like the imported articles Commerce has identified.[14]

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[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(10).

[10] See, e.g., Cleo, Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); 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 the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[11] See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

[12] Nippon, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[13] See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

[14] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Cleo, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

B. Product Description

In its final countervailing duty determination, Commerce defined the imported merchandise within the scope of the investigation as follows:

> OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute ("API") or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.[15]

OCTG are tubular steel products used in oil and gas wells and include casing, tubing, and coupling stock of carbon and alloy steel.[16] Casing is a circular pipe that serves as the structural retainer for the walls of the well with an outside diameter (OD) ranging from 4.5 to 20 inches. Casing is used in the well to provide a firm foundation for the drill string[17] by supporting the walls of the hole to prevent caving in both during drilling and after the well is completed. After the casing is set, concrete is usually pumped between the outside of the casing and the wall of the hole to provide a secure anchor. Casing also serves as a surface pipe designed to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. Casing must be sufficiently strong to carry its own weight and to resist both external pressure and pressure within the well. Casing can be threaded at both ends and connected to other casing pieces with couplings or connectors. Because the amount of open hole that can be drilled at any one time is limited, a string of concentric layers of casing, rather than a single casing, is used for larger wells. Several sizes of casing may be set inside the well after it has been drilled, with the larger sizes set at the top of the well and the smaller sizes toward the bottom.[18]

Tubing is a smaller-diameter pipe (between 1.050 and 4.500 inches in OD) installed inside a larger-diameter casing that is used to conduct the oil or gas to the surface either through natural flow or pumping. Substances (such as lubricant) are also pumped into the well through the tubing for well treatment. Tubing must be strong enough to support its own weight, that of the oil or gas, and that of any pumping equipment suspended on the string.[19]

Coupling stock is a seamless tubular product used to make coupling blanks which, in turn, are used to produce coupling. Only coupling stock, not coupling blanks or couplings, is within Commerce's scope. A coupling is a thick walled and internally threaded cylinder that is used to join two lengths of threaded pipe. Coupling typically accounts for between 2 and 3 percent of the weight of the end-finished

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[15] CR at I-9, PR at I-8. The merchandise covered by the investigation is generally classifiable under Harmonized Tariff Schedule of the United States ("HTSUS") subheadings 7304.29, 7305.20, and 7306.29, applicable to casing and tubing of a kind used in drilling for oil and gas. Commerce states that OCTG coupling stock covered by the investigation may also enter under HTSUS subheadings 7304.39 and 7304.59. CR at I-9-10 n.13, PR at I-8-9 n.13.

[16] CR at I-10-11, I-15-16; PR at I-10, I-14.

[17] A "drill string" consists of nonsubject products, such as drill pipes, drill collars, and the drill bit. CR at I-15 n.22, PR at I-10 n.22.

[18] CR at I-15, PR at I-10.

[19] CR at I-15, PR at I-14.

tubing or casing. Casing, tubing, and coupling stock are all usually produced in accordance with API specification 5CT.[20]

C. Analysis

In the preliminary phase of this investigation, the Commission found that all OCTG are used in the same general application (i.e., the extraction of oil or natural gas), share common physical characteristics, are manufactured to the same specification, and may be subjected to the same additional finishing processes, such as heat treating, threading, hydrostatic testing, and cutting to length. Based on these similarities, and in the absence of clear dividing lines between different types of OCTG, the Commission found a single domestic like product, consisting of all OCTG, that is co-extensive with the scope of the investigation.[21]

In this final phase of the investigation, petitioners support finding one like product that is coextensive with the scope of the investigation, and no party objects to that domestic like product definition. The evidence collected in the final phase of this investigation does not warrant a departure from the Commission's like product finding in the preliminary determination.[22] Accordingly, for the reasons stated in the preliminary determination, we find a single domestic like product, consisting of all OCTG, that is co-extensive with the scope of the investigation.

III. DOMESTIC INDUSTRY

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[23] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. Based on our definition of the domestic like product, we define a single domestic industry consisting of all domestic producers of OCTG.[24] [25]

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[20] CR at I-16, I-25; PR at I-14, I-21.

[21] USITC Pub. 4081 at 4-7.

[22] Record information with respect to OCTG coupling stock reinforces our finding of a single domestic like product. Although coupling stock and other OCTG appear to differ with respect to the channels of distribution through which they are sold, the record does not establish clear differences in respect to the other factors we consider. CR at I-24-26, PR at I-20-21. In light of their overall similarities, we find coupling stock and other OCTG to be a single domestic like product. Id.

[23] 19 U.S.C. § 1677(4)(A).

[24] CR/PR at Table III-1. Domestic producers of OCTG from which the Commission received questionnaire responses include Maverick, U.S. Steel, V&M, TCA, IPSCO, Evraz, and Wheatland. CR/PR at Table III-1.

[25] We find no basis to exclude any producer from the domestic industry under the statute's related party provision, 19 U.S.C. § 1677(4)(A), and no party has argued that any producer should be excluded. ***.

IV. LEGAL STANDARDS

A. In General

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[26] In making this determination, the Commission must consider the volume of subject 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 U.S. production operations.[27] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[28] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[29] 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."[30]

Although the statute requires the Commission to determine whether the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[31] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[32] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[33]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to

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[26] 19 U.S.C. §§ 1671d(b), 1673d(b).

[27] 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).

[28] 19 U.S.C. § 1677(7)(A).

[29] 19 U.S.C. § 1677(7)(C)(iii).

[30] 19 U.S.C. § 1677(7)(C)(iii).

[31] 19 U.S.C. §§ 1671d(a), 1673d(a).

[32] Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), aff'd, 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[33] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[34] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[35] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[36] It is clear that the existence of injury caused by other factors does not compel a negative determination.[37]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[38] [39] Indeed, the

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[34] SAA at 851-52 ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or 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"); accord Mittal Steel, 542 F.3d at 877.

[35] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Invs. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[36] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[37] See Nippon Steel Corp., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[38] Mittal Steel, 542 F.3d at 877-78; see also id. at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[39] Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal, held that the Commission is required, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports. Mittal explains as follows:

> What Bratsk held is that "where commodity products are at issue and fairly traded, price-competitive, nonsubject imports are in the market," the Commission would not fulfill its obligation to consider an

(continued...)

Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[40]

The Federal Circuit's decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[41] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission's interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[42] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[43] [44]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence

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[39] (...continued)

> important aspect of the problem if it failed to consider whether nonsubject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[40] Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 ("Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[41] Mittal Steel, 542 F.3d at 875-79.

[42] Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

[43] Commissioner Lane also refers to her dissenting views in Polyethylene Terephthalate Film, Sheet, and Strip from Brazil, China, Thailand, and the United Arab Emirates, Invs. Nos. 731-TA-1131 to 1134 (Final), USITC Pub. 4040 (Oct. 2008), for further discussion of Mittal Steel.

[44] To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

standard.[45] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[46]

B. Material Injury by Reason of Subject Imports

In evaluating the volume of subject imports, section 771(7)(C)(I) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[47]

In evaluating the price effects of the subject imports, section 771(7)(C)(ii) of the Tariff Act provides that the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[48]

In examining the impact of subject imports, section 771(7)(C)(iii) of the Tariff Act provides that the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[49] These factors include output, sales, inventories, ability to raise capital, research and development, and factors affecting domestic prices. 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."[50]

C. Threat of Material Injury by Reason of Subject Imports

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[51] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether

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[45] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[46] Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[47] 19 U.S.C. § 1677(7)(C)(i).

[48] 19 U.S.C. § 1677(7)(C)(ii).

[49] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[50] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

[51] 19 U.S.C. § 1677(7)(F)(ii).

material injury by reason of subject imports would occur unless an order is issued.[52] In making our determination, we consider all statutory threat factors that are relevant to this investigation.[53]

V. CONDITIONS OF COMPETITION AND THE BUSINESS CYCLE

The following conditions of competition inform our analysis of whether there is material injury or threat of material injury by reason of subject imports.

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[52] 19 U.S.C. § 1677(7)(F)(ii).

[53] These factors are as follows:

> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.
>
> * * *
>
> (IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of subject import volume. Statutory threat factor (IV) is discussed in the price effects analysis, and statutory threat factor (IX) is discussed in the impact analysis. Statutory threat factor (VII) is inapplicable, as no imports of agricultural products are involved in this investigation. No argument was made that the domestic industry is currently engaging or will imminently engage in any efforts to develop a derivative or more advanced version of the domestic like product, which would implicate statutory threat factor (VIII).

A. Demand Conditions

Because OCTG is used in the extraction of oil and natural gas, overall demand for OCTG is closely linked to demand for those products.[54] U.S. demand for OCTG is often gauged by the number of active rigs employed in the United States in oil drilling or (primarily) natural gas drilling, as well as the depth of those rigs.[55] The record indicates that changes in the price of OCTG will likely result in only a small change in the quantity of OCTG demanded.[56]

Demand for OCTG is cyclical and has experienced sharp and frequent fluctuations over the past two decades.[57] OCTG demand was strong in 2006 and 2007, peaked in the second half of 2008, and declined rapidly thereafter through mid-2009. Specifically, OCTG demand measured by the number of oil and natural gas rigs increased fairly steadily from about 1,500 active rigs at the beginning of 2006 to a peak of more than 2,000 rigs in September 2008. The rig count thereafter declined steeply, to a low of about 900 rigs in June 2009. The rig count was about 1,000 rigs in September 2009, half of the count in September 2008.[58] The rise in demand was amplified by speculative purchases,[59] which then contributed to the sudden fall in orders that occurred as market participants generally failed to anticipate the collapse in demand late in the period examined.[60]

When measured by apparent U.S. consumption, U.S. OCTG demand declined from 4.74 million short tons in 2006 to 4.11 million short tons in 2007, then increased to 6.72 million short tons in 2008, for an overall increase of 41.9 percent between 2006 and 2008. Apparent U.S. consumption was 2.00 million short tons in interim (January-September) 2009, 55.2 percent lower than in interim 2008, when apparent

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[54] CR at I-11, I-15-16; PR at I-10, I-14.

[55] CR at II-15, PR at II-9. Demand is affected also by the depth of the active rigs because deeper wells require both more OCTG footage and larger diameter casing toward the well top. Id. Data on footage of oil and natural gas wells drilled between 2006 and March 2009 are shown at CR/PR at Figure II-3. The record also includes published data on consumption by OCTG operators. CR/PR at Figure II-2.

[56] The main factors contributing to the small degree of responsiveness of demand to price changes are the lack of substitutability of other products for OCTG and the small to moderate share of total drilling costs reflected by OCTG. CR at II-10, PR at II-6.

[57] The trend in OCTG demand in the United States from 1990 to November 2009, measured by the number of operating oil and gas rigs, is shown at CR/PR at Figure II-7. See also Baker Hughes Incorporated Worldwide Rig Count (worksheet filed by Ioana Mic, Doc. No. 415733) (hereinafter "Baker Hughes Rig Count").

[58] E.g., CR/PR at Figures II-4-5, Baker Hughes Rig Count. The rig count trend is consistent with the trend for OCTG consumption by OCTG operators, which peaked in the fall of 2008 then declined steeply through mid-2009. CR/PR at Figure II-2. That trend is also consistent with the trend for the footage of oil and natural gas wells drilled between 2006 and September 2009, with footage peaking in 2008; the footage drilled was then lower in interim (January-September) 2009 than in the comparable period in 2008. CR/PR at Figure II-3. Similarly, weighted-average prices for U.S.-produced OCTG fluctuated within a narrow range during 2006 and 2007, then increased in the last three quarters of 2008 by over $1,000 per short ton before declining in 2009. CR at V-19, PR at V-11, CR/PR at Tables V-2 - V-7.

[59] Hearing Transcript (Tr.) at 153-54 (Hausman), 318-19 (Dunn); U.S. Steel's Posthearing Brief at Exhibit 11, Attachments A & B. See also Conference Transcript at 177-78 (Hausman) (noting that there was "a good deal of speculat[ive] demand" by purchasers in expectation of higher prices, and that, after rig counts fell, the "great increase in inventory led to a drop off to near zero of order books"), 76 (Balkenende) ("We did see a number of customers asking for quadruple the quantities they used to buy, for whatever opportunities they may have seen in the market.").

[60] Conference Transcript at 167 (Reece) ("I think all mills were caught off guard by the collapse in demand . . . "); CR at II-11-13, PR at II-7-8 (eleven importers reported limited or no ability to forecast OCTG demand with accuracy at the end of 2008). *** reported they were unable to forecast the demand decline. CR at II-11, PR at II-7.

U.S. consumption was 4.47 million short tons.[61] The data on apparent U.S. consumption, however, include OCTG still being held as inventories by importers and purchasers. Those inventories surged in late 2008 as demand declined and remained at elevated levels, both absolutely and, in particular, relative to operator consumption, into the autumn of 2009.[62]

Oil and natural gas prices are also market indicators of oil and natural gas production activity. A considerable drop in oil and natural gas prices began around June 2008, following an unusually high peak,[63] and thus preceded other indicators of declining demand for OCTG. The record indicates that oil and natural gas prices in the United States will increase somewhat in the imminent future but will remain well below their mid-2008 peak.[64] [65] Continuing low oil and natural gas prices, along with the accumulated inventories mentioned above, are likely to suppress demand for OCTG in the coming months.

The weakening OCTG market is not unique to the United States. The global economic downturn has caused a decline in global demand for oil and natural gas since the third quarter of 2008.[66]

B. Supply Conditions

The three sources of OCTG supply in the U.S. market are domestic shipments, imports of subject merchandise from China, and imports from nonsubject countries.

The seven domestic producers that responded to the Commission's producers' questionnaire, most of which produce OCTG in multiple locations, accounted for the large majority of domestic production and more than *** percent of U.S. mill OCTG operations.[67] Domestic producers' shipments fluctuated during the period examined and increased overall by 6.5 percent from 2006 to 2008. Domestic producers' shipments in interim 2009 were 69.6 percent lower than in interim 2008.[68] The market share

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

[62] CR at II-9, PR at II-5; CR/PR at Table VII-6, Figure II-1 (data on inventories of importers, distributors, and end users are presented infra).

[63] CR/PR at Figure II-6.

[64] CR/PR at Figure II-6. The rig count has increased slowly since July 2009 and, following the period for which data were collected for this investigation, was at about 1,100 rigs in November 2009. CR/PR at Figure II-4. The parties appear to agree that there will likely be some increase in demand in the future. See Tr. at 143 (Hausman), Respondents' Prehearing Brief at 7.

[65] CR at II-14, PR at II-8-9. Respondents assert that a large share of natural gas drilling in the imminent future will be directed to wells in shale plays and that drilling such wells requires specialized product that is primarily available from Chinese producers. Respondents' Posthearing Brief at Exhibit 1 pp. 3-7. Natural gas drilling in shale plays reportedly has been increasing in recent years and is projected to increase further in the imminent future. Petitioners and Respondents have provided divergent estimates of the share of present and future OCTG consumption that is or will be accounted for by shale well drilling. Id. Nevertheless, we note that both domestic producers and Chinese producers report that they can and do service U.S. shale drilling with the OCTG they produce. E.g., Maverick's Posthearing Brief at 9-10, U.S. Steel's Posthearing Brief at 13-14, Respondents' Posthearing Brief at Exhibit 1 pp. 6-8. Accordingly, we do not believe that the relative share of demand for OCTG used in shale wells in total demand for OCTG makes a meaningful difference to our assessment of likely future demand conditions.

[66] CR at II-14-15, PR at II-9; see also CR/PR at Table VII-12.

[67] CR at I-3-4, PR at I-3; CR/PR at Table III-1.

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

held by domestic producers' shipments dropped from 59.2 percent in 2006 to 44.4 percent in 2008, and was 49.9 percent in interim 2008 but only 33.9 percent in interim 2009.[69]

The volume of subject imports increased from 725,027 short tons in 2006 to 860,711 short tons in 2007, then increased sharply to 2.20 million short tons in 2008, for an overall increase between 2006 and 2008 of 203.1 percent. The market share of subject imports increased from 15.3 percent in 2006 to 32.7 percent in 2008. Although the volume of subject imports was 40.0 percent lower in interim 2009, at 739,659 short tons, than in interim 2008, at 1.23 million short tons, apparent U.S. consumption was 55.2 percent lower in interim 2009 than in interim 2008.[70] Consequently, the market share of subject imports was higher in interim 2009, at 37.0 percent, than in interim 2008, at 27.6 percent.[71]

Nonsubject imports were supplied by many countries, including Korea, Canada, and Germany.[72] Consistent with trends in consumption, nonsubject imports declined from 1.20 million short tons in 2006 to 864,612 short tons in 2007, before increasing to 1.53 million short tons in 2008, for an overall increase of 27.4 percent between 2006 and 2008. Nonsubject imports were 42.1 percent lower in interim 2009, at 583,130 short tons, than in interim 2008, at 1.01 million short tons.[73]

Largely due to strong real and perceived demand for OCTG prior to the fourth quarter of 2008, five of seven responding domestic producers and 12 of 31 responding importers reported problems with their ability to supply all the OCTG their customers ordered during the period examined. Individual producers and importers reported extending lead times, placing purchasers on allocation, or declining to fill orders, particularly during portions of 2008.[74]

The ending inventories of purchasers and importers, which increased sharply in late 2008 and into 2009, account for a significant share of current available supply. Published data on distributor and end user inventories indicate that these inventories hovered between 2.0 and 2.5 million short tons from January 2006 to June 2008, climbed to about 3.8 million short tons in March 2009, then declined over the remainder of 2009. These inventories equaled less than six months of supply for extended portions of 2006 and 2008 and between six and seven months of supply for most of 2007, but were equivalent to between 10.2 and 16.3 months of supply in the first nine months of 2009.[75] [76]

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

[70] U.S. imports from China were far higher in January, February, and March of 2009 than in those same months of 2006, 2007, or even 2008, and in May 2009 they were comparable to the level of imports in May 2007 and 2008. Only beginning in June 2009 did monthly U.S. imports from China consistently decrease appreciably from the levels reported in the same months in prior years. CR/PR at Table IV-4.

[71] CR/PR at Tables IV-2, C-1.

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

[73] CR/PR at Table IV-2, C-1. U.S. antidumping duty orders on OCTG from Argentina, Italy, Japan, Korea, and Mexico, which were issued in 1995, were in effect for part of the period examined in this investigation. Those orders were revoked by Commerce on June 22, 2007, based on negative Commission determinations in the second five-year reviews of the orders. 72 Fed. Reg. 34442 (Jun. 22, 2007). Subsequently, Commerce identified the effective date of revocation of the order on OCTG from Mexico as August 11, 2000, based on a NAFTA panel's decision regarding Commerce's determination in its first five-year review of the order on Mexico. 72 Fed. Reg. 55747 (Oct. 1, 2007).

[74] CR at II-3-6, PR at II-3.

[75] CR/PR at Figure II-1 and Table II-2. Purchasers that responded to the Commission's questionnaire reported that their end-of-period inventories were 660,220 short tons in 2006, 607,713 short tons in 2007, and 1.06 million short tons in 2008. Responding purchasers' inventories were 845,993 short tons in interim 2008 and 861,818 short tons in interim 2009. CR at II-9, PR at II-5. End-of-period inventories of responding importers increased from *** short tons in 2006 to *** short tons in 2007, then surged to *** short tons in 2008. Importers' reported inventories remained at *** short tons in September 2009. CR/PR at Table VII-6 (totals are for imports from all sources). The

(continued...)

The record indicates that the increase in import supply was facilitated in part by the growth in the number of importers willing to participate in the OCTG market as OCTG prices increased in response to increasing demand.[77] It appears, moreover, that the increase in purchasers' inventories, at least in late 2008, occurred as market participants, who had failed to anticipate the sudden and steep decline in demand, received orders they had placed when demand was high and supply was tight earlier in 2008.[78]

C. Interchangeability

There is a high degree of interchangeability among the domestic like product, subject imports, and nonsubject imports. Nearly all responding domestic producers reported that the domestic like product, subject imports, and nonsubject imports are always interchangeable.[79] A majority of responding importers and purchasers reported that the domestic like product, subject imports, and nonsubject imports are always or frequently interchangeable.[80] A majority of responding purchasers also reported that the U.S. product, subject imports, and nonsubject imports always or usually meet purchasers' minimum quality specifications.[81] Purchasers reported that price is an important consideration in their purchasing decisions.[82] A majority of domestic producers reported that differences other than price among the domestic like product, subject imports, and nonsubject imports are never significant, while a majority of importers and purchasers reported that such differences are only sometimes or never significant.[83]

D. Other Conditions

Domestically produced and imported OCTG are sold mainly through distributors. More than 99 percent of domestic OCTG were sold to distributors. U.S. importers sold more than 90 percent of subject imports from China to distributors in 2006, 2007, and interim 2009, and sold 84 percent to distributors in 2008.[84] Distributors stock multiple OCTG products for resale to rig operators. When prices are rising, distributors benefit by selling OCTG at prices higher than their purchase prices. When prices are falling, distributor inventories lose value. Thus, distributors have an incentive to build

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[75] (...continued)
importer inventory data are understated for the interim periods because, as noted above, interim data are not available for ten importers that responded in the preliminary phase of this investigation but not in this final phase. CR/PR at IV-1 n.2.

[76] When measured in months of supply, inventories are a function of the absolute volume held in inventory and the rate of consumption. Accordingly, as consumption fell during interim 2009, inventories as measured in months of supply continued to increase even after absolute inventories began to decline. See CR/PR at Figure II-1.

[77] Conference Transcript at 62 (Dewan) ("During the summer of 2008 . . . there were many people trading in Chinese OCTG that had been out of the OCTG market for several years and others who, to my knowledge, had never been in the OCTG business. The market became chaotic and it appeared there was unlimited supply of OCTG from China . . . available.").

[78] CR at II-12-13, PR at II-8 (some purchasers reported purchasing from foreign mills, including those in China, because they could not find sufficient supply).

[79] CR/PR at Table II-7 (one responding producer reported that the U.S. product is frequently interchangeable with OCTG from other countries).

[80] CR/PR at Table II-7.

[81] CR/PR at Table II-4.

[82] CR/PR at Table II-5.

[83] CR/PR at Table II-8.

[84] CR/PR at II-1.

inventories when they believe prices will rise, as they did until September 2008, and to work off existing inventories and avoid new purchases when they expect prices and demand to fall, as they did after September 2008.

VI. MATERIAL INJURY AND THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS[85]

Based on the record in the final phase of this investigation, we find that an industry in the United States is threatened with material injury by reason of imports of OCTG from China that Commerce has found are subsidized.[86]

A. Volume of the Subject Imports[87] [88]

1. Analysis of Material Injury by Reason of Subject Imports

In absolute terms, the volume of subject imports increased from 725,027 short tons in 2006 to 860,711 short tons in 2007 and 2.20 million short tons in 2008. Thus, the volume of subject imports increased by 203.1 percent from 2006 to 2008. Subject imports were 40.0 percent lower in interim 2009, at 739,659 short tons, than in interim 2008, at 1.23 million short tons.[89]

In terms of market penetration, subject imports increased consistently over time regardless of whether demand was rising or falling.[90] From 2006 to 2007, apparent U.S. consumption fell by 13.3 percent, whereas the volume of subject imports increased by 18.7 percent. From 2007 to 2008, apparent U.S. consumption rose by 63.6 percent, whereas the volume of subject imports increased by

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[85] Negligibility under 19 U.S.C. § 1677(24) is not an issue in this investigation. Official statistics from Commerce indicate that, from April 2008 to March 2009, which is the most recent 12-month period preceding the filing of the petition for which data were available, subject imports from China accounted for 60.0 percent of total U.S. imports of OCTG. CR at IV-10, PR at IV-9. The volume of subject imports is thus well above the statute's three percent negligibility level.

[86] As noted above, Commissioners Lane and Williamson determine that the domestic industry is materially injured by reason of subject imports. See Separate Views of Commissioners Charlotte R. Lane and Irving A. Williamson.

[87] In its final countervailing duty determination on OCTG from China, Commerce found eleven programs to be countervailable. On the basis of these programs, Commerce found countervailable subsidy margins ranging from 10.36 percent to 15.78 percent. CR at I-8, PR at I-7. At least one of the programs is intended to benefit exportation. Id. In its preliminary antidumping duty determination on OCTG from China, Commerce found dumping margins ranging from 0.00 to 90.14 percent. CR at I-9, PR at I-8.

[88] We are currently making a final determination only in the countervailing duty investigation of OCTG from China and are scheduled to make our final antidumping duty determination in May 2010. We note that we cross-cumulate the allegedly dumped imports with the subsidized imports. Cross cumulation is the cumulation of subsidized imports with dumped imports and includes the situation in which the dumped and subsidized imports are one and the same as well as the situation in which they differ to some extent. See Bingham & Taylor v. United States, 815 F. 2d 1482 (Fed. Cir. 1987). See also Softwood Lumber from Canada, Inv. Nos. 701-TA-414 (Final) and 731-TA-928 (Final), USITC Pub. 3509 (May 2002) at 29; Circular Welded Carbon Quality Steel Line Pipe from China, Inv. No. 731-TA-1149 (Final), USITC Pub. 4075 (May 2009) at 4. We note that the cumulated imports found to be subsidized and sold at less than fair value were the subject of investigations that resulted from petitions filed the same day, none of the exceptions to cumulation noted at 19 U.S.C. § 1677(7)(g)(ii) apply, and there is no dispute that the dumped and subsidized imports compete with each other and the domestic like product.

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

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

155.3 percent. Apparent U.S. consumption was 55.2 percent lower in interim 2009 than in interim 2008, whereas subject imports in interim 2009 were only 40.0 percent below their interim 2008 level. As a result, the market share held by subject imports increased from 15.3 percent in 2006 to 32.7 percent in 2008, and was higher in interim 2009, at 37.0 percent, than in interim 2008, when it was 27.6 percent.[91] As subject imports' market share rose, that of the domestic producers fell from 59.2 percent in 2006 to 44.4 percent in 2008. Domestic producers' market share also was lower in interim 2009, at 33.9 percent, than in interim 2008, when it was 49.9 percent.[92] Accordingly, we find the volume of subject imports to be significant both in absolute terms and relative to consumption in the United States.

In arguing that the subject volume is not significant, Respondents assert that the volume of subject imports merely followed demand conditions in the United States over the period of investigation. More specifically, they assert that the volume of subject imports rose from 2006 to 2008, when demand was generally rising, and fell during interim 2009 as demand was falling. The record, however, does not confirm Respondents' assertion.

Considering first the period 2006 to 2008, the record shows that apparent U.S. consumption fell from 2006 to 2007, before rising sharply in 2008. The volume of subject imports, however, increased from 2006 to 2007, and again from 2007 to 2008. As a result, subject imports gained in market share in 2007 and again in 2008.[93] Accordingly, the record contradicts Respondents' assertion that during 2006 to 2008, the volume of subject imports simply increased from 2006 to 2008 in tandem with increased demand.

The record also contradicts Respondents' account of events during interim 2009. In particular, Respondents argue that subject imports increased in market share due to the abrupt fall in demand that occurred in late 2008 and the lag time between importers' placement of orders with producers in China and the arrival of the imports in the U.S. market. We agree that there is an apparent lag of several months for made-to-order OCTG from China and that some orders placed during the tight market conditions of mid-2008 were arriving in U.S. ports in late 2008 and early 2009.[94] It does not appear, however, that the delay between the time subject imports are ordered and the time they arrive in the U.S. market fully explains the pattern of subject import volumes in interim 2009. Although all parties agree that demand plunged abruptly in September of 2008, the monthly volume of subject imports remained relatively high as late as May 2009, eight months later.[95] Accordingly, the record does not confirm Respondents' view that the volume of subject imports merely followed demand trends, albeit with a lag. Instead, the record

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[91] CR/PR at Table C-1. The ratio of subject imports to domestic production increased even more substantially, growing from 24.6 percent in 2006 to 34.3 percent in 2007 and 71.3 percent in 2008. The ratio of subject imports to U.S. production was 54.4 percent in interim 2008 and 121.9 percent in interim 2009. CR/PR at Table IV-8.

[92] CR/PR at Table C-1. The market share of nonsubject imports was 25.4 percent in 2006, 21.1 percent in 2007, and 22.8 percent in 2008. It was 22.5 percent in interim 2008 and 29.2 percent in interim 2009. Id.

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

[94] An importer with over 25 years of experience in the business (Tr. at 244) testified on behalf of Respondents as to the duration of the lag during 2008, when demand peaked. He indicated that, during that period, the lag from placing the order to the arrival of the subject merchandise in the United States was generally 5 months. He added that for some orders the delay extended to six or seven months. Tr. at 248-49 (Mr. Jordan). Reports from purchasers were generally consistent, although some reported lags that were shorter than 5 months, and others reported lags that were longer. Purchasers' Questionnaire responses at III-21b; see also CR at II-27 (27 of 48 reporting purchasers reported normal lag times that averaged over 3 months, whereas 12 of 48 purchasers reported lag times that averaged over 4 months "during periods of high demand").

[95] CR/PR at Table IV-4 (showing subject imports in May 2009 to be higher than in all but one of the months from January 2006 to May 2008). In fact, subject import volumes in May 2009 were approximately twice as high as in April 2009, contrary to the suggestion that the volume of subject imports simply followed demand downward with a lag. Id.

shows that high volumes of subject imports continued to enter the U.S. market well after the period that Respondents' theory would suggest.

Respondents also claim that subject imports have now exited the market in response to the severe drop in demand beginning in the third quarter of 2008.[96] In considering Respondents' assertion, we note first that, although the Chinese producers did respond to some extent to changing demand, the market share of subject imports nonetheless increased steadily over the period examined regardless of whether demand was increasing or decreasing. With respect to Respondents' explanation for the very low volume of subject imports in recent months, we note that the monthly volumes declined to this level only after the antidumping duty and countervailing duty petitions were filed.[97] Notably, the virtual absence of subject imports in these recent months stands in stark contrast to the relatively substantial presence of nonsubject imports in that same time frame.[98] We also take account of numerous press accounts and statements on behalf of Chinese producers indicating that the recent drop in subject imports is related to the pending investigations.[99] Based on the record evidence, we find that the near cessation of subject imports at the end of the period examined resulted from the pendency of this investigation and the companion antidumping duty investigation on OCTG from China,[100] as well as the slump in OCTG demand. Absent these investigations, the absolute and relative volumes of subject imports would likely have been greater in interim 2009. Moreover, we determine likely behavior in the imminent future based on data for the entire period examined, not simply the behavior in the final months of the period. Based on the above information, we find the volume of subject imports during the period examined, both on an absolute basis and relative to apparent U.S. consumption and production, to be significant.

2. Analysis of Threat of Material Injury by Reason of Subject Imports

We begin our analysis of the likely future volume of subject imports by noting, as discussed above, that the market penetration of subject imports increased consistently during the period examined. In addition, we have analyzed the likely future volume of imports in the context of past and expected demand for OCTG in the U.S. market. As noted previously, demand for OCTG fell sharply during the second half of 2008 and continued to decline through mid-2009. Although demand increased somewhat in the final months of the period examined and is predicted to increase modestly by the end of 2010, consumption is projected to remain at a much lower level than its peak in 2008, or even its level in 2006 and 2007.

Moreover, as noted above, the extent to which OCTG supply exceeded OCTG demand in 2008 and 2009 resulted in a sharp increase in inventories held by importers and purchasers at the end of the period examined.[101] These inventories would be sufficient to supply several months of demand without resort to new domestic supply or imports from any source.[102] We note too that the contemporaneous occurrence of peak subject imports and peak inventory levels in 2008 indicates that purchases of subject

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[96] Respondents' Prehearing Brief at 5, 7-8.

[97] CR/PR at Table IV-4.

[98] CR/PR at Table IV-4.

[99] E.g., U.S. Steel's Prehearing Brief at 6-8, TMK IPSCO et al. Prehearing Brief at 2-3.

[100] See 19 U.S.C. § 1677(7)(I).

[101] CR at II-9, PR at II-5; CR/PR at Figure II-1, Table VII-6.

[102] Market participants prefer to see inventories in the United States at or below six months of supply. CR at II-7, PR at II-4. The inventories of distributors and end users alone, however, were at 11.8 months of supply at the end of the period examined (September 2009) and 10.9 months in October 2009. CR/PR at Table II-2. We note that these figures represent the aggregate quantities held in inventory.

imports contributed to the significant inventory build-up that occurred in 2008.[103] Those inventories remain high and will likely exert downward pressure on orders for the domestic like product, as well as domestic prices, in the imminent future.[104] Because of lower projected demand and high inventory levels, we believe that the absolute volume of purchases from all sources will be lower in the imminent future than it was during the period examined. Nevertheless, for the reasons discussed below, we find that subject imports will likely increase significantly in the imminent future, albeit not to the extremely high levels seen during the preceding period of high demand (2008).

OCTG producers in China will likely have the ability to increase shipments to the United States to a great extent. China is the world's leading producer of OCTG, accounting for an estimated *** of world production in 2007.[105] The Chinese producers that responded to the Commission's questionnaire report that their allocated OCTG capacity increased from 5.87 million short tons in 2006 to 6.07 million short tons in 2007 and 7.42 million short tons in 2008.[106] The Chinese industry's capacity was higher in interim 2009, at 4.86 million short tons, than in interim 2008, at 4.80 million short tons.[107] Various Chinese producers report that they have added capacity in 2009 or will be adding capacity in 2010, increases that appear unrelated to the current demand environment globally.[108] Thus, the Chinese industry has demonstrated an ability to increase capacity substantially in a short period of time, and this trend is likely to continue unabated in the imminent future. Moreover, inasmuch as the reporting producers account for only *** percent of Chinese capacity for production of OCTG and related tubular products,[109] actual OCTG capacity in China is likely substantially higher than that of the responding producers.[110] [111]

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[103] The share of purchasers' end-of-period inventories accounted for by imports from China increased from 13.6 percent in 2006 to 18.5 percent in 2007 and 32.6 percent in 2008. Imports of OCTG from China accounted for 33.6 percent of purchasers' end-of-period inventories in interim 2008 and 35.9 percent in interim 2009. CR at II-9, PR at II-5.

[104] CR/PR at Table III-7

[105] CR at VII-3, PR at VII-2; CR/PR at Table VII-1.

[106] CR/PR at Table VII-4.

[107] CR/PR at Table VII-4.

[108] CR at VII-2, PR at VII-1-2; CR/PR at Tables VII-2, VII-4. Respondents did not offer, nor does the record otherwise suggest, evidence that the global recession and accompanying credit crisis have resulted in anything more than limited cancellations of these projects. One exception appears to be ***, which reportedly has been placed on hold indefinitely due to market conditions and environmental issues. CR at VII-7 n.28, PR at VII-4 n.28.

[109] CR at VII-6-7, PR at VII-3-4.

[110] Although we find that actual OCTG capacity in China is likely substantially higher than that reported by the producers that responded to our foreign producers questionnaire, CR/PR Table VII-4, our analysis relies largely upon the data for those producers. We note, however, that both the capacity reported by responding producers, as well as the capacity reported by members of the China Steel Pipe Association (CR at VII-13, PR at VII-6), yield fairly conservative capacity totals compared with some other sources for Chinese capacity on the record. See, e.g., Maverick's Prehearing Brief at 63 (estimate of capacity ***); CR at VII-2, PR at VII-1-2 (World Steel Association reports actual production of all tubular products in China of 45 million short tons in 2007).

[111] Commissioner Okun notes that the statute authorizes the Commission to take adverse inferences but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. See 19 U.S.C. § 1677e. She generally gives credence to the facts supplied by the participating parties and certified by them as true, but bases her decision on the evidence as a whole, and does not automatically accept participating parties' suggested interpretations of the record evidence. Regardless of the level of participation, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. "In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic

(continued...)

Chinese producers also reported that their production increased from 4.89 million short tons in 2006 to 5.00 million short tons in 2007 and 6.40 million short tons in 2008, but was lower in interim 2009, at 3.36 million short tons, than in interim 2008, at 3.80 million short tons.[112] Accordingly, 31.0 percent of the responding Chinese producers' capacity was unused in interim 2009, meaning that, based solely on existing capacity at the end of the period examined, these producers have the ability to produce approximately two million short tons over their 2008 level, an additional quantity nearly equivalent to total U.S. imports from China in 2008.[113] Again, because the Commission received data from producers accounting for only about *** of Chinese production capacity for OCTG and related tubular products, actual unused capacity is likely substantially larger than that of the responding producers.

Additionally, the rise in inventories of OCTG in China would permit Chinese producers to increase exports to the United States substantially. Chinese producers' end-of-period inventories increased from *** short tons in 2006 to *** short tons in 2008, and were *** short tons in interim 2008 and *** short tons in interim 2009. Chinese producers' interim 2009 inventories thus were equivalent to about *** percent of domestic producers' interim 2009 production of *** short tons.[114] U.S. importers' inventories were also substantial at the end of the period examined,[115] and the sale and shipment of those inventories into the U.S. market will likely occur in the imminent future with a consequent negative impact on demand for new OCTG production.[116]

Moreover, production facilities in China that are currently used to produce other pipe products have the potential to be shifted to production of OCTG. Many Chinese producers report that ***.[117] In fact, Chinese welded pipe producers have an incentive to shift production to OCTG to avoid countervailing and antidumping duties in the United States on welded standard pipe and line pipe.[118]

The record indicates not only that producers of subject OCTG have the ability to increase shipments to the United States, but that they have a strong interest in increasing such shipments as well. It appears that Chinese producers have been motivated to increase subject imports for quite some time.

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[111] (...continued)
industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive." Statement of Administrative Action ("SAA") on Uruguay Round Agreements Act ("URAA"), H.R. Rep. 103-316, Vol. I at 869 (1994).

[112] CR/PR at Table VII-4.

[113] CR/PR at Tables VII-4, C-1. Chinese producers forecast that they will increase their OCTG production in 2010 over the level they forecast for 2009. CR/PR at Table VII-4.

[114] CR/PR at Table VII-4, C-1.

[115] CR/PR Table VII-6. The importers' inventory totals discussed in the context of likely demand, supra, included inventories of both subject and nonsubject imports. Relevant to the likely volume of subject imports, however, are importers' inventories of subject imports. Importers' inventories of subject merchandise increased from *** short tons in 2006 to *** short tons in 2007 and *** short tons in 2008. Importers' inventories of subject imports were *** short tons in interim 2008 and *** short tons in interim 2009. Id.

[116] We noted in our preliminary determination that we intended to consider inventories of purchasers further in any final phase investigation. In this regard, the statute (19 U.S.C. § 1677(7)(F)(i)) "mak{es} it clear that the Commission will consider inventories of the subject merchandise wherever they are located." SAA at 854. As noted above, we have considered purchaser inventories, which will be a factor dampening any increase in demand in the imminent future.

[117] See CR/PR at Table VII-3 nn. 2, 4, 5, 6, 9, 10, 11, 14, 16 (***).

[118] 73 Fed. Reg. 42545 (Jul. 22, 2008) (countervailing duty order on standard pipe from China), 73 Fed. Reg. 42547 (Jul. 22, 2008) (antidumping duty order on standard pipe from China), 74 Fed. Reg. 4136 (Jan. 23, 2009) (countervailing duty order on line pipe from China); 74 Fed. Reg. 22515 (May 13, 2009) (antidumping duty order on line pipe from China).

China has not only been the world's leading OCTG exporter in recent years, but its exports have increased sharply, from 1.3 million short tons in 2006 to 4.3 million short tons in 2008.[119] As a result, the Chinese industry is export oriented, with Chinese producers' exports rising to 38.0 percent of their total shipments in 2008.[120] The Chinese OCTG industry's growing reliance upon export markets is highlighted by the increase in China's OCTG trade surplus of approximately 3.2 million tons during the period examined, from 0.9 million short tons in 2006 to 4.1 million short tons in 2008.[121]

Recent events have only intensified subject producers' incentive to increase shipments to the United States. OCTG producers in China have brought new production capacity on line at the very time that the global economic downturn has reduced global demand for oil and natural gas.[122] The difficulties for OCTG producers in China have deepened as a result of trade restricting remedies on imports from China by both Canada and the EU. In March 2008, the Canadian Government found that seamless oil and gas well casing from China not exceeding 11.75 inches threatened to cause injury to the Canadian OCTG industry. In October 2009, it also reached an affirmative preliminary injury determination regarding all welded or seamless OCTG, other than seamless casing covered by the March 2008 determination, with outside diameters from 2-3/8 inches and 13-3/8 inches.[123] The EU imposed antidumping duties in October of 2009 on a range of seamless pipe products, including seamless OCTG.[124] These trade restrictions will likely inhibit shipments of OCTG from China to these markets in the imminent future.[125] Given that China's OCTG production capacity is growing and demand in non-U.S. markets will not return to peak or near peak levels in the imminent future, Chinese producers of OCTG face even greater pressure to increase export shipments to the United States than they did in the past.

The United States represents a highly attractive market. In fact, producers in China apparently identified the United States as a very attractive market even prior to the current conditions that intensified the pressure to increase export shipments. As noted, subject imports to the United States from China tripled from 2006 to 2008, and the share of OCTG production exported from China that was directed to

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[119] CR/PR at Table VII-11. At the same time, home market shipments by responding Chinese producers declined from 75.6 percent of their total shipments in 2006 to 59.6 percent in 2008, notwithstanding that their home market shipments increased to 71.3 percent of total shipments with the decline in global demand in interim 2009. Id.

[120] CR/PR at Table VII-4. Chinese producers forecast that they will increase their total exports in 2010 over the levels expected for 2009. CR/PR at Table VII-4.

[121] CR/PR at Table VII-11.

[122] E.g., CR/PR at Table VII-2; CR at VII-2, PR at VII-1; CR at II-11-15, PR at II-7.

[123] CR at VII-15-16, PR at VII-7.

[124] CR at VII-16, PR at VII-7-8.

[125] Respondents downplay the significance of import restraints in these markets, among others. See Respondents' Posthearing Brief at Exhibit 6. Although each of these two markets was individually substantially smaller than the U.S. market in 2008, both Canada and the EU were among China's top 10 export markets in that year. See U.S. Steel's Prehearing Brief at Exhibit 68 (also referenced in Respondents' Posthearing Brief at Exhibit 6). The EU is a market in which recent OCTG prices have exceeded those in the United States (Metal Bulletin Research (Nov. 2009) at 2), making the retention of other relatively high-priced markets all the more important for the Chinese industry.

Moreover, Chinese producers face the ongoing challenge of selling OCTG into export markets with active import injury investigations concerning OCTG. These include Canada (welded OCTG and seamless tubing, preliminary determination in October 2009), and Argentina (seamless and welded OCTG, initiated in November 2009) (CR at VII-15 through VII-16 and nn. 32 through 37, PR at VII-7 through VII-8 and nn. 32 through 37), as well as Mexico (seamless OCTG, initiated in September 2009) (U.S. Steel's Prehearing Brief at Exhibit 87 ("Mexico launches anti-dumping investigation into Chinese seamless . . .")).

the U.S. market increased from 45 percent in 2006 to 60 percent in 2008.[126] [127] This focus is not unexpected, considering that the United States is the world's largest single country market for OCTG.[128] Additionally, although prices for seamless OCTG in the United States are somewhat lower than in Western Europe and Japan, they are noticeably higher than prices in Eastern Europe and the Middle East.[129] Moreover, the U.S. market is well understood by OCTG producers in China, who increased shipments to the United States from 2006 to 2008 and, in so doing, established relationships with a broader range of importers. The record does not include any indication that Chinese producers, in the absence of a countervailing or antidumping duty order, would find the U.S. market any less attractive in the imminent future than they did during the period examined.[130] Although demand in the United States is expected to be lower in the imminent future than in prior years, Chinese producers will target the new orders for OCTG that arise, consistent with their market share gains in the United States throughout the period examined.

Based on the above, we conclude that producers of OCTG in China have both the ability and the incentive to increase exports of subject OCTG. We also conclude that the United States is a highly attractive market for Chinese OCTG producers, given that it is the largest OCTG market in the world, it has attractive prices, and Chinese producers are familiar with the market and have dramatically increased shipments to it in recent years. Additionally, we note that the market share of subject imports in the United States has increased consistently, regardless of U.S. market conditions, throughout the period under examination. Thus, we conclude that subject import volume is likely to be significant within an imminent time frame, both in absolute terms and relative to consumption and production in the United States, and that the increase in subject imports' market share will likely be significant.

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[126] Although the United States accounted for only 27 percent of exports of subject OCTG from China during interim 2009, the fact that subject merchandise continued to gain market share in the United States and accumulated in inventory indicates that the United States remained a very attractive market for producers of subject OCTG during that period. CR/PR at Table C-1.

[127] Official Commerce statistics indicate that subject imports have been at extremely low levels since July 2009, and responding importers report that they have not imported or arranged for the importation of OCTG from China since October 2009. CR/PR at Tables IV-4, VII-7. We note, however, that ***. CR at VII-10 n.29, PR at VII-4 n 29. ***. Id. As noted above, moreover, we find that the decline in subject imports is at least in part attributable to the pendency of this investigation. See 19 U.S.C. § 1677(7)(I)).

[128] CR at VII-21, PR at VII-12; CR/PR at Table VII-11.

[129] See Posthearing Brief of TMK IPSCO et al. at Exhibit 6; Metal Bulletin Research (Nov. 2009) at 2.

[130] To the contrary, the Vice President for Strategic Planning and Business Development of Wuxi Seamless Oil Pipe Co., Ltd., a major Chinese producer of OCTG and a respondent in this investigation, acknowledged in a press report that Wuxi is closely watching the U.S. trade remedy proceedings on Chinese OCTG, that it reduced exports to the United States in 2009 in response to this proceeding, and that, if no duties are imposed as a result, "we would be back immediately." "WSP rejigs Texas OCTG plant schedule," American Metal Market (Sept. 11, 2009) (exhibit 2 to Prehearing Brief of TMK IPSC et al.). Putting those statements in context, between 2006 and 2008, Wuxi's OCTG capacity *** while its OCTG exports to the United States ***. Wuxi projects that its OCTG capacity *** but projects that its OCTG exports to the United States ***, based on "temporary estimation." Wuxi foreign producer questionnaire response at 7.

D. Likely Price Effects of the Subject Imports

1. Analysis of Material Injury by Reason of Subject Imports

As explained above in the discussion of conditions of competition, the domestic like product and subject imports are generally interchangeable, and price is an important consideration in purchasing decisions.[131] Moreover, most sales of both the domestic like product and subject imports are made to distributors.[132]

The Commission collected quarterly pricing data for six OCTG products.[133] Usable pricing data were provided by four domestic producers, accounting for *** percent of domestic producers' shipments during the period examined, and twenty-five importers, accounting for *** percent of shipments of subject imports during the period.[134] Subject imports undersold the domestic like product in 58 of 73 quarterly pricing comparisons by margins ranging from 0.5 percent to 46.4 percent.[135]

Prices for U.S.-produced OCTG generally fluctuated within a narrow range during 2006 and 2007 with no apparent trend. Prices for the domestic product then increased in the last three quarters of 2008, by over $1,000 per short ton, before declining in 2009 to levels still generally higher than those in 2006 and 2007. Prices for the subject imports from China also fluctuated within a narrow range in 2006 and 2007, generally increased in 2008, and then fell in 2009.

We find that subject imports significantly undersold the domestic like product during the period examined and gained market share as a result. Nevertheless, we do not find that subject imports significantly depressed or suppressed the prices of domestically produced OCTG. As noted, domestic producers' prices increased to very high levels in 2008, indicating that the underselling by subject imports did not depress prices for the domestic like product. Those increased prices more than covered any increase in domestic producers' unit cost of goods sold (COGS) in 2008, as reflected in the decline in COGS as a share of net sales in 2008.[136] We therefore find that subject imports did not suppress domestic prices through 2008.

Moreover, while domestic producers' prices declined notably in interim 2009 from their 2008 peaks, they generally remained above their 2006 and 2007 levels. Although the data indicate the beginning of a cost/price squeeze in interim 2009,[137] the data for the entire period under examination do not indicate price suppression.[138] We conclude that subject imports are not having a significant adverse effect on domestic producers' prices.

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[131] CR/PR at Tables II-5, II-7.

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

[133] CR at V-5, PR at V-4.

[134] CR at V-5-6, PR at V-4. The 25 importers providing usable pricing data include 17 that provided data in the final phase of the investigation and 8 that responded only in the preliminary phase. CR at V-6, PR at V-4.

[135] CR/PR at Tables V-2 - V-7, V-9.

[136] Unit COGS increased from $1,008 in 2006 to $1,055 in 2007 and $1,285 in 2008. Average unit sales value decreased from $1,489 in 2006 to $1,399 in 2007, then increased to $2,070 in 2008. Unit COGS as a percentage of sales increased from 67.7 percent in 2006 to 75.4 percent in 2007 before declining to 62.1 percent in 2008. CR/PR at Table C-1.

[137] Unit COGS was $1,204 in interim 2008 and $1,655 in interim 2009; average unit sales value was $1,835 in interim 2008 and $2,062 in interim 2009; unit COGS as a share of net sales was 65.6 percent in interim 2008 and 80.3 percent in interim 2009. CR/PR at Table C-1.

[138] Moreover, the trend in interim 2009 coincided with, and appears to have been caused by, a slump in demand that was a consequence of conditions in the overall economy.

2. Analysis of Threat of Material Injury by Reason of Subject Imports

We next consider the likely price effects of subject imports in the imminent future. As it attempts to increase exports to the United States, the Chinese industry is likely to continue to use underselling and aggressive pricing as a means to increase market share, given that subject OCTG from China and the United States are generally substitutable. Given that subject imports undersold domestic OCTG to a significant degree throughout the period, and particularly toward the end of the period when demand was relatively depressed, we find that underselling is likely to be significant in the imminent future. We find that underselling by subject imports is likely to increase the attractiveness of those imports to domestic purchasers compared with domestic production.

In respect to adverse effects on U.S. prices, we consider whether price depression and/or price suppression is likely as a result of subject imports. In performing that analysis, we note first that underlying demand for OCTG in the U.S. market has fallen in interim 2009 to levels lower than at any time during 2006 through 2008, whether measured by oil and natural gas prices, rig count, operator consumption, or other indicators.[139] Not only is underlying demand depressed, but demand for new shipments is further depressed by high inventories held by both distributors and end users.[140] In this environment, the introduction of increased quantities of subject imports, aggressively priced in an effort to gain market share, will put pressure on domestic producers to lower prices in an already very unfavorable market, in order to compete for sales and prevent an accelerated erosion of their market share.

Accordingly, subject imports are likely to enter at prices that will have a significant depressing effect on domestic prices for OCTG. In addition, as noted above, the domestic industry's ratio of COGS to net sales was markedly higher in interim 2009 than in interim 2008. As subject imports cause the domestic industry to lose further sales volume, the U.S. industry is likely to further curtail production, resulting in higher per unit production costs and rising COGS/net sales ratios. Although demand is expected to increase to a small degree in the imminent future, domestic producers will likely be unable to raise prices to offset higher costs, due to competition from the increased volume of aggressively priced subject imports. As subject imports cause the domestic industry to experience high per-unit production costs and prevent the domestic industry from raising prices in order to offset the higher costs, the domestic industry will likely experience a cost/price squeeze. For these reasons, we conclude that subject imports are likely to enter at prices that will have significant price suppressing as well as price depressing effects.[141]

We conclude that, in the imminent future, the aggressive price competition demonstrated by subject imports during the bulk of the period examined will continue. As subject imports cause domestic sales volumes and prices to deteriorate and per-unit costs to increase, the domestic industry will experience significant price depression and suppression.

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[139] CR/PR at Figure II-6 (oil and natural gas prices), Figure II-4 (rig count), Figure II-3 (footage drilled), Figure II-2 (operator consumption), Table C-1 (apparent U.S. consumption).

[140] CR/PR Tables II-2, Figure II-1; see also CR at II-9, PR at II-5; CR/PR at IV-1 n.2, CR/PR at Table VII-6.

[141] Commission staff was able to confirm two of the petitioners' lost sales allegations for interim 2009. CR/PR at Table V-10.

E. Likely Impact of the Subject Imports on the Domestic Industry[142]

1. Analysis of Material Injury by Reason of Subject Imports

Between 2006 and 2008, the domestic OCTG industry registered gains in many performance indicators, including production, shipments, and employment.[143] The industry earned solid profits each year from 2006 to 2008 as highly favorable demand conditions increased the industry's prices faster than the increase in its costs despite competition from the increasing volume of low-priced subject imports. Notably, the industry's financial performance was strongest in 2008, when subject imports reached their peak.[144]

As described above, U.S. market demand for OCTG plunged starting in the latter part of 2008 and remained anemic through interim 2009. The market share of subject imports increased as demand dropped and was higher in interim 2009 than in interim 2008, pushing domestic producers' market share down 16.0 percentage points.[145]

Although the industry's performance indicators were down sharply in interim 2009 compared with interim 2008,[146] this appears to have been demand driven in large part and, in any event, the industry's performance over the entire period examined does not warrant a finding of present material injury by reason of subject imports. In particular, despite the rising volumes of subject imports, favorable demand conditions permitted the industry to increase prices and profits very substantially in 2008. Although the rising volume of aggressively priced subject imports may have prevented the domestic industry from making even greater gains, the record does not establish a significant adverse impact during the period 2006 through 2008. During interim 2009, aggressively priced subject imports made very substantial gains in terms of market share, but given that the absolute level of such imports was down and that the interim 2009 data are not reflective of the trends during the entire period examined, we do not conclude that subject imports had a significant adverse impact on the domestic industry. The data show that the industry enjoyed very favorable financial returns during the three previous years and that prices, though falling at the end of the period, were declining from the peak levels observed during 2008.

2. Analysis of Threat of Material Injury by Reason of Subject Imports

Although we do not find present material injury by reason of subject imports, the state of the industry observed in interim 2009 weighs heavily in our consideration of the impact of subject imports in

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[142] Although we reviewed the separate record data for the welded and seamless OCTG portions of the domestic industry (e.g., CR/PR at Tables C-2, C-3) (notwithstanding the absence of argument that we do so), we base our analysis on data for the industry as a whole (e.g., CR/PR at Table C-1).

[143] Production was 2.94 million short tons in 2006, 2.51 million short tons in 2007, and 3.08 million short tons in 2008. Domestic shipments were 2.81 million short tons in 2006, 2.38 million short tons in 2007, and 2.99 million short tons in 2008. Production and related workers totaled 5,448 in 2006, 5,396 in 2007, and 5,819 in 2008. Hours worked totaled 11.95 million in 2006, 11.48 million in 2007, and 12.87 million in 2008. Domestic production capacity was 4.29 million short tons in 2006, 4.24 million short tons in 2007, and 4.47 million short tons in 2008. Capacity utilization was 68.5 percent in 2006, 59.2 percent in 2007, and 69.0 percent in 2008. Productivity (in tons per 1,000 hours) was 246.2 in 2006, 218.4 in 2007, and 239.4 in 2008. CR/PR at Table C-1.

[144] Operating profit was $1.22 billion in 2006, $598 million in 2007 and $2.10 billion in 2008. The domestic industry's ratio of operating income to net sales was 27.8 percent in 2006, 17.4 percent in 2007, and 32.6 percent in 2008. CR/PR at Table VI-1.

[145] Subject import volume was 1.23 million short tons in interim 2008 and 739,659 short tons in interim 2009. CR/PR at Table IV-2.

[146] See, e.g., CR/PR at Table C-1 and discussion infra.

the imminent future. As discussed above, despite a positive trend in the industry's performance during most of the period examined, its performance has recently declined substantially in terms of production, shipments, net sales, unit COGS, operating income, and operating margins.[147] The domestic industry has idled much of its capacity, including entire production facilities, and has thus experienced a steep drop in capacity utilization and widespread layoffs.[148] Accordingly, we find that the industry is currently in a weakened state and is vulnerable to material injury. We also find that the industry's vulnerability is heightened by relatively flat demand conditions in the imminent future, aggravated by large purchaser inventories that sharply curtail future demand.

The current state of the domestic industry is primarily attributable to the sudden drop in demand that began in 2008. Looking forward, the conditions that drove demand and domestic prices upward in 2008 are not likely to recur in the imminent future. Rather, demand is likely to remain anemic (albeit increasing) in the imminent future.[149] Moreover, high inventory levels will continue to limit demand for new production.[150]

We evaluate the likely effects of the significant volume of aggressively priced subject imports from China on the domestic industry in the imminent future in light of these market conditions. As subject imports continue to take market share from the domestic industry and to exert significant price depressing and suppressing effects, the domestic industry will likely experience further declines in production, market share, capacity utilization, and shipments. As a result of these adverse trends, the domestic industry will also likely experience lower employment levels, net sales, operating income, and profitability. Given that the industry is already in a weakened state, we conclude that these effects are significant and support a conclusion that the domestic industry is threatened with material injury by reason of subject imports from China. Accordingly, we find that there is a likely causal relationship between the subject imports and an imminent adverse impact on the domestic industry.

We have considered whether other factors will likely have an imminent adverse impact on the domestic industry. As noted, we recognize the impact of the decline in demand for OCTG on the domestic industry's performance near the end of the period examined. Although demand is likely to remain at depressed levels in the imminent future, it is not likely to decline further from present levels, but instead will increase slightly. Accordingly, the likely further declines in the domestic industry's production, market share, capacity utilization, shipments, employment levels, productivity, and operating income will come as a result of subject imports gaining market share and having adverse price effects on domestic OCTG, rather than as a result of new declines in demand. Accordingly, in our analysis of the threat of material injury we do not attribute injury caused by changes in demand to subject imports.

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[147] The industry's trade and performance indicators declined substantially in the first nine months of 2009 when compared to the first nine months of 2008. Production was 2.27 million short tons in interim 2008 and 606,651 short tons in interim 2009. U.S. shipments were 2.23 million short tons in interim 2008 and 677,514 short tons in interim 2009. Net sales quantity was 2.32 million short tons in interim 2008 and 0.71 million short tons in interim 2009, and net sales value was $4.25 million in interim 2008 and $1.46 million in interim 2009. Unit COGS was $1.20 per short ton in interim 2008 and $1.66 per short ton in interim 2009. Operating income was $1.21 billion in interim 2008 and $61.90 million in interim 2009, and operating income as a percentage of sales was 28.4 percent in interim 2008 and 4.2 percent in interim 2009. CR/PR at Table C-1.

[148] Capacity was somewhat higher in interim 2009, at 3.44 million short tons, than in interim 2008, at 3.35 million short tons (CR/PR at Table C-1, see also CR/PR at Table III-2), and capacity utilization was 67.6 percent in interim 2008 and 17.6 percent in interim 2009. The number of production and related workers was 5,497 in interim 2008 and 3,398 in interim 2009. Hours worked were 9.12 million in interim 2008 and 4.53 million in interim 2009. Productivity (in tons per 1,000 hours worked) was higher in interim 2009 than in interim 2008, at 248.7 in interim 2008 and 134.0 in interim 2009. CR/PR at Table C-1.

[149] CR/PR at Figure II-6.

[150] See, e.g., CR/PR at Table III-6 (order book volume at 136,657 short tons at the end of interim 2009, contrasted with 612,095 short tons at the end of interim 2008).

We also recognize that nonsubject imports were a factor in the U.S. market during the period examined. Nonsubject import prices, however, tended to be higher than subject import prices.[151] The volume of nonsubject imports, some of which were originally subject to the discipline of antidumping duty orders during part of the period examined, fluctuated in accordance with changes in demand, in contrast with the substantial increases in subject imports regardless of changes in demand. Specifically, while subject imports' market share increased consistently and substantially, the market share of nonsubject imports declined between 2006 and 2007, as demand declined.[152] Moreover, the market share of nonsubject imports increased to a lesser degree between interim 2008 and interim 2009 than did the market share of subject imports.[153] Accordingly, nonsubject imports are not likely to take market share or sales from the domestic industry in the imminent future.

We conclude that, unless a countervailing duty order is issued, significant volumes of subsidized imports will gain additional U.S. market share in the imminent future and lead to material injury by reason of subject imports. Accordingly, we determine that the domestic industry is threatened with material injury by reason of subject imports from China.

We further determine, pursuant to 19 U.S.C. § 1671d(b)(4)(B), that we would not have found material injury but for the suspension of liquidation of subject imports.

CONCLUSION

For the foregoing reasons, we find that the domestic industry producing OCTG is threatened with material injury by reason of subject imports from China that are subsidized by the Government of China.

[151] CR/PR at F-3.

[152] CR/PR at Table C-1. Total nonsubject imports followed the U.S. demand trend, including by declining in 2007, notwithstanding the removal of antidumping duty orders on Argentina, Italy, Japan, Korea, and Mexico in 2007 and increased volumes of imports from those countries that year. CR/PR at Tables IV-3, C-1; 72 Fed. Reg. 34442 (Jun. 22, 2007).

[153] See CR/PR at Table C-1.

SEPARATE VIEWS OF COMMISSIONERS CHARLOTTE R. LANE AND IRVING A. WILLIAMSON

On the basis of the record in the final phase of this investigation, we determine that an industry in the United States producing certain oil country tubular goods ("OCTG") is materially injured by reason of imports of OCTG from China that the Department of Commerce ("Commerce") has found to be subsidized by the Government of China. We join our colleagues' findings with respect to the domestic like product, domestic industry, legal standards, and conditions of competition that are distinctive to the OCTG industry. We write separately to explain our conclusion that the domestic industry has already suffered material injury at the hands of subject imports.

From 2006 through 2008, the domestic OCTG industry performed strongly, enjoying solid demand, prices, and profits. During 2008, Chinese OCTG manufacturers and exporters flooded the U.S. market with OCTG that was substitutable for U.S. product but sold at lower prices. Surging oil and natural gas prices in 2008 prompted an OCTG buying frenzy in the United States that the Chinese companies were willing and able to exploit. Because the volume of imports from China in 2008 far outstripped actual demand for OCTG by energy companies, substantial volumes of the 2008 imports were retained in importers' inventories or held as purchaser stockpiles. In late 2008 and early 2009, as the financial crisis hit the U.S. economy, energy prices as well as demand for OCTG dropped. Subject imports continued to pour in at high volumes through first-quarter 2009, however, adding to the swollen inventories.

The combination of high inventory quantities and stunted end-user consumption of OCTG meant that the demand for new OCTG nearly disappeared in early 2009. The domestic industry's order books dried up in the first six months of 2009 and it was forced to nearly shut down. Although conditions improved somewhat as 2009 progressed, for the entire interim period (January through September) of 2009 the industry operated at a mere 17.6 percent capacity utilization. Compared to the same nine-month period in 2008, the industry's 2009 performance was dismal, with production and shipments approximately 70 percent lower and operating profits down by almost 95 percent, forcing producers to layoff 38 percent of their production-related workforce and cut employees' hours by half.

The connection between subject imports and the U.S. industry's poor 2009 experience is apparent even after accounting for the impact of the economic crisis that began in late 2008. While drilling companies' consumption of OCTG was down 38 percent in interim 2009 compared to interim 2008, domestic production and shipments fell by approximately 70 percent.[1] The effect of subject imports can be seen in the substantially greater fall in domestic production and shipments compared to the decline in domestic consumption. To satisfy their needs in 2009, end users turned to inventories composed in large part of subject product imported in 2008 and to additional quantities imported in the first half of 2009, rather than to OCTG produced by the domestic industry.

For these reasons, as explained further below, we make an affirmative determination on the basis of present material injury.

[1] OCTG operator consumption, by month, January 2006 to October 2009, is shown at CR/PR at Figure II-2. *See also* Preston Publishing Co. (worksheet, EDIS Doc. No. 415733) (hereinafter "Preston Publishing Co.").

Volume of Subject Imports:

The volume of subject imports increased by 18.7 percent from 2006 to 2007, despite a nine percent decrease in end-user demand.[2] Subject import volume then exploded in 2008, increasing by 155.3 percent compared to 2007. Subject imports' share of the U.S. market grew steadily as well, from 15.3 percent in 2006 to 21.0 percent in 2007 and to 32.7 percent in 2008.[3]

Subject import levels continued to be very high in the first quarter of 2009, entering in volumes that were more than double the volume of the first quarter of any previous year of the period examined.[4] From June 2009 onward, subject imports were nearly absent from the market.[5] Even with the departure of subject imports beginning in June, the market share of subject imports was substantially higher in interim (January to September) 2009, at 37.0 percent, as compared to the same period in 2008, when it was 27.6 percent.

As a result of the growth in subject import volume, the U.S. market share held by domestic OCTG producers steadily declined over the period examined. The domestic industry's U.S. market share fell from 59.2 percent in 2006, to 58.0 percent in 2007, and to 44.4 percent in 2008. The domestic industry's market share was substantially lower in interim 2009, at 33.9 percent, than it was in interim 2008, at 49.9 percent.[6]

The combined volume of imports from nonsubject countries declined from 2006 to 2007, then increased from 2007 to 2008, for an overall increase of 27.4 percent from 2006 to 2008. The market share of nonsubject imports declined from 25.4 percent in 2006 to 22.8 percent in 2008.[7]

By any measurement, the increase in the volume and market share of subject imports is significant. The subject imports captured a substantial portion of the domestic OCTG market from domestic producers during the period of investigation.

A substantial share of the subject imports that entered the United States in 2008 was not consumed by drilling companies in that year, but instead remained in the inventories of distributors (generally service centers) and importers. Distributor and user inventories began to rise in March 2008 and grew steadily each month thereafter for an overall increase of 1.4 million tons (62 percent) during calendar year 2008.[8] As subject imports continued at high levels through the first quarter of 2009 and operator consumption fell due to the economic crisis, the ratio of inventories to consumption exploded, and peaked at over 16 months of supply in May 2009.[9] Questionnaire data from purchasers indicate that imports from China accounted for a majority of the increase in distributor and user inventories from 2007

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[2] CR/PR at Table C-1; and Preston Publishing Co.

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

[4] CR/PR at Table IV-4.

[5] We attribute the departure of subject imports to pendency of the present investigations. *See, e.g.,* Hearing Transcript ("tr.") at 195 (Mr. Shoaf, Mr. Dubois). As a result we give reduced weight to the decline in the absolute volume of subject imports that took place during 2009.

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

[7] Nonsubject imports were 42.1 percent lower in interim 2009 compared to interim 2008, but were higher in market share at 29.2 percent compared to 22.5 percent in the earlier interim period. *Id*.

[8] Preston Publishing Co.

[9] CR/PR at Table II-2. Typical inventory levels appear to be in the range of 5 to 6 months of supply. *See, e.g.,* tr. at 99 (Mr. Herald), 122 (Mr. Hausman).

to 2008.[10] U.S. importer inventories of subject product also surged in 2008 and remained high in September 2009.[11]

Inventories grew so much in 2009 because underlying demand by operators in 2008 did not grow nearly as fast as the Chinese product entering the market. The quantity of OCTG consumed by drilling operations increased by 29 percent in 2008, a substantial amount, but nowhere near the 155 percent increase in subject imports in that year.[12] U.S. importer inventories of subject imports increased 329.3 percent from 2006 to 2008, and were 152 percent higher in interim 2009 compared to interim 2008.[13]

One reason for the high volumes of OCTG purchased by U.S. distributors and importers in 2008 was the unprecedented run-up in oil and natural gas prices. In mid-2008, oil prices peaked at over $130 per barrel and natural gas prices peaked at over $10 per 1,000 cubic feet.[14] As oil and gas prices rose, so did the price of OCTG. Rising prices resulted in ever-increasing purchases; speculative buyers entered the market hoping to cash in on the favorable conditions.[15] In this overheated market atmosphere, U.S. buyers found in the Chinese OCTG producers willing and able suppliers of the quantities they demanded. Unfortunately the quantities supplied by the Chinese OCTG manufacturers did not bear a relationship to the OCTG that U.S. end-users were actually consuming. As a result, inventories in the United States rose steadily both absolutely and in terms of months of supply on hand.

Price Effects of Subject Imports:

As addressed in the section on Conditions of Competition, the record indicates that subject imports from China and domestic OCTG are highly interchangeable,[16] most sales of both the domestic like product and subject imports are made to distributors,[17] and price is a very important factor in purchasing decisions.[18]

The Commission collected quarterly pricing data from domestic producers and importers of subject imports for six OCTG products.[19] Subject imports undersold the domestic like product in 58 of 73 quarterly pricing comparisons by margins ranging from 0.5 percent to 46.4 percent.[20] In terms of quantity, 94.4 percent of subject imports covered in the pricing comparisons undersold domestic prices.[21] Underselling was most pronounced in the third and fourth quarters of 2008, and the first quarter of 2009; these were the quarters when subject import volumes were the highest, thus demonstrating that low prices

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[10] CR at II-9/PR at II-5 (increase in end-of-period inventories of Chinese OCTG constituted 51.5 percent of the total increase from 2007 to 2008).

[11] Reported importer inventories of subject OCTG more than doubled from December 31, 2007 to December 31, 2008, growing from *** tons to *** tons. Importer inventories were *** tons in September 30, 2009, compared to *** tons on September 30, 2008. CR/PR at Table VII-6.

[12] Preston Publishing Co.

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

[14] CR/PR at Table II-4 and Table II-5.

[15] *See, e.g.,* tr. at 318-320 (Mr. Dunn).

[16] CR/PR at Table II-7.

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

[18] CR/PR at Table II-3 and Table II-5.

[19] CR at V-5 - V-6/PR at V-4.

[20] CR/PR at Table V-9.

[21] CR/PR at Table V-9.

enabled subject imports to increase their share of the U.S. OCTG market.[22] Persistent and significant underselling also negates respondents' claim that subject imports were simply being pulled into the market due to inadequate supply from domestic producers.[23] Accordingly, we find subject import underselling of the domestic like product to be significant.

We have considered trends in OCTG prices over the period of investigation. Prices for all six products considered were relatively flat or decreased slightly during 2006 and 2007, then rose sharply during 2008 to peak in the fourth quarter of 2008 at levels more than double the levels of 2007. Prices then decreased in each of the three quarters of 2009, ending the period for most products above price levels of 2007.[24] Similarly, average unit values ("AUVs") of domestic OCTG decreased by 6.6 percent from 2006 to 2007, increased by 49.2 percent from 2007 to 2008, and were 11.4 percent higher in interim 2009 than in interim 2008.[25] Given the large price rise during the period and the fact that prices generally ended the period higher than when they started despite the fall-off in underlying demand, we do not find that the subject imports significantly depressed prices for the domestic like product.

We have also considered the degree to which lower-priced subject imports prevented domestic industry price increases which otherwise would have occurred. From 2006 to 2007, the domestic industry's cost of goods sold ("COGS") as a share of net sales increased by 7.7 percentage points from 67.7 percent to 75.4 percent.[26] However, U.S. producers' COGS-to-sales ratio decreased by 13.3 percentage points to 62.1 percent from 2007 to 2008.[27] The domestic industry's COGS-to-sales ratio in interim 2009 was 14.7 percentage points higher than that for interim 2008, but this was primarily due to fixed costs being allocated over significantly fewer sales.[28] Accordingly, we find that subject imports did not suppress domestic prices to a significant degree during the period of investigation.

In sum, we find that pervasive subject import underselling of the domestic like product throughout the period of the investigation contributed significantly to the substantial market share that subject imports gained during the period at the expense of the domestic industry. Subject imports gained 14.8 percentage points in market share between 2006 and 2008 and a further 9.4 percentage points in market share in interim 2009 relative to interim 2008.[29]

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[22] CR/PR at Tables V-2 through V-7.

[23] Chinese Respondents' Posthearing Brief at 3.

[24] CR/PR at Tables V-2 through V-7.

[25] CR/PR at Table C-1. Interim 2009 AUV's were higher in interim 2008 because of the high first quarter of 2009 prices. *See* CR/PR at Tables V-2 through V-7.

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

[27] *Id*.

[28] *See* CR/PR at Table VI-1. Per unit sales values were $230 higher in interim 2009 than in interim 2008. Per unit raw materials costs were $62 less in interim 2009 than in interim 2008. However, combined per unit direct labor and "other factory costs" were $518 more in interim 2009 than in interim 2008. This significant increase in production costs is related to the very low output rate for the domestic industry in interim 2009. Although output would be expected to drop due to the reduction in demand experienced in 2009, we have determined that the impact of subject imports, which gained market share in interim 2009, contributed significantly to this low capacity utilization.

[29] Subject imports also took 2.6 percentage points of market share from non-subject imports from 2006 to 2008, netting a total 17.4 percentage gain over that period. Non-subject imports took 6.6 percentage points of market share from the domestic industry in interim 2009 relative to interim 2008. CR/PR at Table C-1.

Impact of Subject Imports:

We have examined the performance indicators in the trade and financial data for the domestic OCTG industry. Between 2006 and 2008, the domestic OCTG industry registered gains in most indicators, except for market share, for which it lost 14.8 percentage points.[30] However, for many of the indicators that did improve, the extent of the gains were below the 18 percent increase in end-user demand from 2006 to 2008;[31] this lag was because the volume of subject imports tripled over this period and captured 17.4 percentage points of market share, 14.8 points of which came at the expense of the domestic industry.

Demand for OCTG in the U.S. market began to decline in the fourth quarter of 2008, and remained low throughout interim 2009. End-user consumption in interim 2009 was 38 percent lower than in interim 2008.[32] Domestic producer's U.S. sales were 69.6 percent lower in interim 2009 compared to interim 2008.[33] By contrast, subject imports continued to flood the U.S. market through May 2009. Specifically, the monthly volumes of subject imports were higher in January, February, March, and May of 2009 than in the same months in 2008.[34] Despite a decrease in end-user demand in the first quarter of 2009, Chinese producers doubled import shipments to the U.S. in the first quarter of 2009 compared to the first quarter of 2008.[35] This surge in subject imports beginning in 2008, continuing through the first quarter of 2009, and the inventory overhang the imports created, significantly contributed to the lack of demand for new OCTG supply in 2009. Instead of purchasing newly-produced OCTG, many end-users purchased subject imports from distributors' inventory, significantly decreasing domestic order books.[36] In August 2008, order books for OCTG peaked at 670,248 short tons.[37] Since then, order books decreased markedly, reaching the lowest level on 47,798 short tons in May 2009.[38]

As a result, virtually all domestic industry performance indicators were drastically lower in interim 2009 compared to interim 2008. Domestic production was 73.2 percent lower in interim 2009 compared to interim 2008.[39] Similarly, U.S. shipments in interim 2009 were 69.6 percent less than the level of U.S. shipments in interim 2008.[40] Domestic producers lost 16.0 percentage points of market share in interim 2009 compared to interim 2008.[41] With domestic producers operating at only 17.6 percent of production capacity in interim 2009, employment of production and related workers was

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[30] CR/PR at Table C-1. Everything improved except for productivity (down 2.8 percent), and market share (down 14.8 percentage points). The industry earned solid profits each year from 2006 to 2008. Production, U.S. shipments, net sales values and quantity, and employment indicators improved from 2006 to 2008.

[31] Preston Publishing Co.

[32] Preston Publishing Co.

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

[34] CR/PR at Table IV-4.

[35] *Id.*

[36] CR/PR at Table III-6.

[37] CR/PR at Table III-7.

[38] *Id.*

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

[40] *Id.*

[41] *Id.*

38.2 percent lower than in interim 2008, the equivalent of 2,099 fewer workers.[42] Similarly, there were 50.3 percent fewer hours worked in interim 2009 compared to interim 2008.[43]

Domestic industry profits were still strong in the first quarter of 2009 as many sales were at higher prices negotiated when demand was stronger in 2008. However, the severe decline in domestic industry sales led to increasingly poor financial performance during the second and third quarters of 2009. The domestic industry posted an operating loss in excess of 20 percent in the second and third quarters of 2009 combined.[44] For the entire nine-month period of 2009, domestic industry operating profits were 94.9 percent less than in interim 2008.[45]

We reject respondents' argument that the condition of the domestic industry is not due to subject imports, but rather is the result of the market cycle entering a downturn.[46] The decrease in shipments and production of new OCTG by the U.S. industry in 2009 far exceeded the decrease in actual end-user consumption of OCTG. End-user consumption was 38 percent less in interim 2009 than in interim 2008, whereas domestic shipments were 69.6 percent less, and domestic production was 73.2 percent less, over the same period.[47] Despite the decrease in demand, subject imports entered the United States in significant volumes, exceeding the U.S. shipments of the domestic industry and increasing in market share by 9.4 percentage points in interim 2009 compared to interim 2008.[48] Furthermore, a significant share of the OCTG consumed in 2009 (over half in the second and third quarters of 2009) was being drawn from the large distributor and importer inventories, which were disproportionately comprised of subject imports.[49] In this sense, the negative impact of the subject imports was prolonged as they depressed domestic sales and revenues throughout interim 2009. We find that, although the decline in U.S. consumption during the interim 2009 period had a negative impact on the domestic industry, that impact was exacerbated by significant volumes of low-priced subject imports entering the market in 2009 as well as the inventory overhang from 2008, both of which displaced domestic sales. A weaker energy market does not sufficiently explain the severe decrease in virtually all of the domestic OCTG industry's performance indicators in interim 2009.

We also reject respondents' argument that the domestic industry should have used its profits from 2008 to keep laid-off workers employed in 2009.[50] Domestic producers must use their profits for continued capital investments, taxes, as well as honor their fiduciary responsibilities to generate returns for their shareholders.[51] Moreover, if the domestic industry were to use 2008 profits to pay the 2,099 workers they were forced to layoff in 2009, the domestic industry's 2009 employment numbers would improve, but only at the cost of the industry's already dismal operating income.

Finally, we find that the presence of nonsubject imports does not undermine our finding of significant adverse effects due to subject imports. Combined imports from nonsubject sources decreased

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[42] *Id*.

[43] *Id*.

[44] *See* Preliminary CR/PR at Table C-1, showing domestic industry operating income of 25.0 percent for the first quarter of 2009; and Final CR/PR at Table C-1, showing domestic industry operating income of 4.2 percent for interim 2009, covering January through September 2009.

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

[46] Chinese Respondents' Prehearing Brief at 55-78.

[47] Preston Publishing Co.

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

[49] CR at II-9/PR at II-5. *See also* Preston Publishing Co..

[50] Chinese Respondents' Prehearing Brief at 85-88.

[51] Maverick Posthearing Brief at page 1 of Exhibit 1.

in market share from 2006 to 2008.[52] Nonsubject imports gained 6.6 percentage points of market share in interim 2009 compared to interim 2008, but subject imports captured 9.4 percentage points during that same period. Nonsubject imports did not increase in absolute or relative terms to the same degree as did subject imports, and held a smaller share of the market than did subject imports in 2008 and interim 2009.[53] Prices of nonsubject imports were in most cases higher than prices of subject imports or domestic product.[54]

Thus we conclude that subject imports had a material adverse impact on the condition of the domestic industry during the period of investigation.

In sum, we find that both the absolute and relative volumes of subject imports, and their increase during the period of investigation, were significant. Subject imports gained market share at the expense of the domestic industry through underselling the domestic product to a significant degree throughout the period of investigation. The increase in low-priced subject imports helped produce severe declines in the domestic industry's trade, employment, and financial performance in 2009.

Conclusion:

For the foregoing reasons, we find that the domestic OCTG industry is materially injured by reason of subject imports of OCTG from China found by Commerce to be subsidized by the Government of China.

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

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

[54] Based on quarterly price comparisons involving specific OCTG products, nonsubject imports were priced lower than the domestic like product in 44 comparisons and higher than the domestic like product in 58 comparisons. Nonsubject imports were priced lower than subject imports in 29 comparisons and higher in 53 comparisons. CR/PR at F-3.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Maverick Tube Corporation ("Maverick"), Houston, TX; United States Steel Corporation ("U.S. Steel"), Pittsburgh, PA; V&M Star LP ("V&M Star"), Houston, TX; V&M Tubular Corporation of America ("V&M TCA"), Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp. ("Wheatland"), Wheatland, PA; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, Pittsburgh, PA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of certain oil country tubular goods ("OCTG")[1] from China. Information relating to the background of the investigations is provided below.[2]

Effective date	Action
April 8, 2009	Petition filed with Commerce and the Commission; institution of the Commission's investigation (74 FR 17514, April 15, 2009)
May 5, 2009	Commerce's notice of initiation (74 FR 20671 and 74 FR 20678)
May 26, 2009	Commission's preliminary determination (74 FR 27559, June 10, 2009)
September 15, 2009	Commerce's preliminary CVD determination (74 FR 47210); scheduling of final phase of Commission investigation (74 FR 50242, September 30, 2009)
November 17, 2009	Commerce's preliminary AD determination (74 FR 59117)
December 1, 2009	Commission's hearing[1]
December 7, 2009	Commerce's final CVD determination (74 FR 64045); the Commission received formal notification of Commerce's determination on November 30, 2009
December 30, 2009	Commission's CVD vote
January 13, 2010	Commission's CVD determination transmitted to Commerce
April 1, 2010	Commerce's expected final AD determination
May 3, 2010	Scheduled date for the Commission's AD vote
May 7, 2010	Commission's AD determination due to Commerce

[1] App. B presents a list of witnesses appearing at the hearing.

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations. This report will use the term "OCTG" to describe the product at issue, even though certain lower volume or specialized forms of OCTG (drill pipe, high-chromium casing and tubing) are excluded.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall 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; and . . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether . . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*
> . . .
> *In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to*
> . . .
> *(I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

Organization of the Report

Part I of this report presents information on the subject merchandise, subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV and V* present the volume and pricing of imports of the subject merchandise, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

U.S. MARKET SUMMARY

OCTG generally is used in oil and gas wells, and consists primarily of casing and tubing. The leading U.S. producers of OCTG are U.S. Steel and TMK IPSCO, both of which produce OCTG in multiple U.S. facilities and manufacture both seamless and welded OCTG. The leading producers of OCTG outside the United States include Baoshan Iron & Steel Co., Baotou Steel International Economic and Trading Co., Hunan Hengang Valin Steel, Tianjin Pipe, and Wuxi Seamless Oil Pipe of China. The leading U.S. importers of OCTG from China are ***. Leading importers of OCTG from nonsubject countries (primarily Canada, Germany, Japan, and Korea) include ***. U.S. purchasers of OCTG include distributors - which typically purchase directly from U.S. mills and U.S. importers - as well as production and exploration companies that purchase from the distributors. Leading distributors include *** and leading end users include ***.

Apparent U.S. consumption of OCTG totaled approximately 6.7 million short tons ($11.6 billion) in 2008. Seven firms, accounting for the large majority of overall U.S. production and more than *** percent of U.S. mill OCTG operations, responded to the Commission's request for data. U.S. producers' U.S. shipments of OCTG totaled 3.0 million short tons ($6.2 billion) in 2008, and accounted for 44.4 percent of apparent U.S. consumption by quantity and 53.4 percent by value. U.S. imports from China totaled 2.2 million short tons ($2.8 billion) in 2008 and accounted for 32.7 percent of apparent U.S. consumption by quantity and 24.3 percent by value. U.S. imports from nonsubject sources totaled 1.5 million short tons ($2.6 billion) in 2008 and accounted for 22.8 percent of apparent U.S. consumption by quantity and 22.3 percent by value.

Apparent U.S. consumption was markedly lower in January-September 2009 relative to January-September 2008. U.S. imports from China accounted for 37.0 percent of the U.S. market during the first three quarters of the year, while U.S. producers' U.S. shipments accounted for 33.9 percent and U.S. imports from all countries other than China accounted for 29.2 percent.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, tables C-1 through C-3. Except as noted, U.S. industry data are based on questionnaire responses of seven firms that accounted for nearly all U.S. mill production of OCTG during 2008. U.S. imports are based on official Commerce statistics except as noted. Additional information regarding U.S. tariff treatment of OCTG, supplemental responses to issues identified by the Commission, nonsubject price data, and the alleged effects of subject imports appears in appendixes D, E, F, and G, respectively.

PREVIOUS AND RELATED INVESTIGATIONS

Antidumping and Countervailing Duty Investigations

OCTG has been the subject of several Commission investigations. A listing of these investigations is presented in table I-1.

Table I-1
OCTG: Previous and related investigations, 1984-2009

Original Investigation				Commission reviews		Current status
Date[1]	Number	Country	Outcome	Dates[1]	Outcomes	
1984	701-TA-215	Brazil	Affirmative	-	-	ITA revoked 8/21/85
1984	701-TA-216	Korea	Negative	-	-	-
1984	701-TA-217	Spain	Affirmative	-	-	ITA revoked 7/31/85
1984	731-TA-191	Argentina	Negative	-	-	-
1984	731-TA-192	Brazil	Affirmative[2]	-	-	Petition withdrawn
1984	731-TA-193	Korea	Affirmative[2]	-	-	Petition withdrawn
1984	731-TA-194	Mexico	Affirmative[2]	-	-	Petition withdrawn
1984	731-TA-195	Spain	Affirmative	-	-	ITA revoked 6/30/85
1985	701-TA-240	Austria	Affirmative[2]	-	-	Petition withdrawn
1985	701-TA-241	Venezuela	Affirmative[2]	-	-	Petition withdrawn
1985	701-TA-255	Canada	Affirmative	-	-	ITA revoked 7/10/91
1985	701-TA-256	Taiwan	Negative	-	-	-
1985	731-TA-249	Austria	Affirmative[2]	-	-	Petition withdrawn
1985	731-TA-251	Venezuela	Affirmative[2]	-	-	Petition withdrawn
1985	731-TA-275	Argentina	Affirmative[2]	-	-	Terminated
1985	731-TA-276	Canada	Affirmative	1999 / -	Negative / -	Revoked
1985	731-TA-277	Taiwan	Affirmative	1999 / -	Negative / -	Revoked
1986	701-TA-271	Israel	Affirmative	-	-	ITA revoked 3/1/93
1986	731-TA-318	Israel	Affirmative	-	-	ITA revoked 7/27/99
1995	701-TA-363	Austria	Negative	-	-	-
1995	701-TA-364	Italy	Affirmative	2001 / -	Affirmative	ITA revoked 12/26/06
1995	731-TA-711	Argentina	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-712	Austria	Negative	-	-	-
1995	731-TA-713	Italy	Affirmative	2001 / 2006	Affirmative/Negative	Revoked

Table continued on next page.

Table I-1 – *Continued*
OCTG: Previous and related investigations, 1984-2009

Original Investigation				Commission reviews		Current status
Date[1]	Number	Country	Outcome	Dates[1]	Outcomes	
1995	731-TA-714	Japan	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-715	Korea	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-716	Mexico	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-717	Spain	Negative	-	-	-
2002	701-TA-428	Austria	Negative[2]	-	-	-
2002	731-TA-992	Austria	Negative[2]	-	-	-
2002	731-TA-993	Brazil	Negative[2]	-	-	-
2002	731-TA-994	China	Negative[2]	-	-	-
2002	731-TA-995	Colombia	([3])	-	-	-
2002	731-TA-996	France	Negative[2]	-	-	-
2002	731-TA-997	Germany	Negative[2]	-	-	-
2002	731-TA-998	India	Negative[2]	-	-	-
2002	731-TA-999	Indonesia	Negative[2]	-	-	-
2002	731-TA-1000	Romania	Negative[2]	-	-	-
2002	731-TA-1001	South Africa	Negative[2]	-	-	-
2002	731-TA-1002	Spain	Negative[2]	-	-	-
2002	731-TA-1003	Turkey	Negative[2]	-	-	-
2002	731-TA-1004	Ukraine	Negative[2]	-	-	-
2002	731-TA-1005	Venezuela	Negative[2]	-	-	-

[1] "Date" or "Dates" refers to the year in which the investigation, first review, or second review was instituted by the Commission.
[2] Preliminary determination.
[3] Following the withdrawal of the petition on Colombia and Commerce's decision not to institute an investigation on OCTG from that country, the Commission discontinued its investigation No. 731-TA-995 (OCTG from Colombia).

Source: Compiled from Commission determinations published in the Federal Register.

Safeguard Investigations

Following receipt of a request from the Office of the United States Trade Representative ("USTR") on June 22, 2001, the Commission instituted investigation No. TA-201-73, *Steel*, under section 202 of the Trade Act of 1974[3] to determine whether certain steel products, including seamless and welded OCTG,[4] were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industries producing articles like or directly competitive with the imported article.[5] On July 26, 2001, the Commission received a resolution adopted by the Committee on Finance of the U.S. Senate ("Senate Finance Committee" or "Committee") requesting that the Commission investigate certain steel imports under section 201 of the Trade Act of 1974.[6] Consistent with the Senate Finance Committee's resolution, the Commission consolidated the investigation requested by the Committee with the Commission's previously instituted investigation No. TA-201-73.[7] On December 20, 2001, the Commission issued its determinations and remedy recommendations. The Commission made a negative determination with respect to OCTG.[8]

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

On December 7, 2009, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of OCTG from China.[9] Table I-2 presents Commerce's findings of subsidization of OCTG in China. Programs determined to be countervailable[10] are as follows:

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[3] 19 U.S.C. § 2252.

[4] Seamless and welded casing and tubing, as well as seamless drill pipe, were found to be a single 'like or directly competitive' product by Chairman Stephen Koplan, Vice Chairman Deanna Tanner Okun, and Commissioners Marcia E. Miller and Jennifer A. Hillman, while Commissioners Lynn M. Bragg and Dennis M. Devaney found seamless and welded OCTG to be part of broader product groupings including all seamless carbon and alloy steel tubular products and all welded carbon and alloy steel tubular products, respectively. *See, e.g., Steel, Inv. No. TA-201-73, Volume I: Determinations and Views of Commissioners,* USITC Publication 3479, December 2001, pp. 17-18; 152-154; 274-275; and 318-319.

[5] *Institution and Scheduling of an Investigation under Section 202 of the Trade Act of 1974 (19 U.S.C. 2252) (the Act)*, 66 FR 35267, July 3, 2001.

[6] 19 U.S.C. § 2251.

[7] *Consolidation of Senate Finance Committee Resolution Requesting a Section 201 Investigation with the Investigation Requested by the United States Trade Representative on June 22, 2001*, 66 FR 44158, August 22, 2001.

[8] *Steel; Import Investigations*, 66 FR 67304, December 28, 2001. Specifically, Chairman Stephen Koplan, Vice Chairman Deanna Tanner Okun, and Commissioners Marcia E. Miller and Jennifer A. Hillman made a negative determination with respect to OCTG, while Commissioners Lynn M. Bragg and Dennis M. Devaney dissented, having made affirmative determinations with respect all seamless carbon and alloy steel tubular products and all welded carbon and alloy steel tubular products.

[9] *Certain Oil Country Tubular Goods From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination*, 74 FR 64045, December 7, 2009.

[10] Ibid. *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Oil Country Tubular Goods ("OCTG") from the People's Republic of China* (C-570-944), November 23, 2009.

- *Policy Loans*
- *Export Loans From the Export-Import Bank of China*
- *Provision of Steel Rounds for Less Than Adequate Remuneration*
- The State Key Technology Project Fund
- *''Two Free, Three Half'' Program*
- *Preferential Tax Program for Foreign-Invested Enterprises Recognized as High or New Technology Enterprises*
- *Local Income Tax Exemption and Reduction Programs for ''Productive'' Foreign-Invested Enterprises*
- *Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment*
- *Subsidies Provided in the TBNA and the Tianjin Economic and Technological Development Area*
- *Loan and Interest Forgiveness for SOEs*
- *Provision of Electricity for Less Thank Adequate Remuneration*

Table I-2
OCTG: Commerce's final subsidy determination with respect to imports from China

Entity	Final countervailable subsidy margin (*percent*)
Jiangsu Changbao Steel Tube Co. and Jiangsu Changbao Precision Steel Tube Co., Ltd.	11.98
Tianjin Pipe (Group) Co., Tianjin Pipe Iron Manufacturing Co., Ltd., Tianguan Yuantong Pipe Product Co., Ltd., Tianjin Pipe International Economic and Trading Co., Ltd., and TPCO Charging Development Co., Ltd.	10.36
Wuxi Seamless Pipe Co, Ltd., Jiangsu Fanli Steel Pipe Co, Ltd, Tuoketuo County Mengfeng Special Steel Co., Ltd.	14.61
Zhejiang Jianli Enterprise Co., Ltd., Zhejiang Jianli Steel Steel Tube Co., Ltd., Zhuji Jiansheng Machinery Co., Ltd., and Zhejiang Jianli Industry Group Co., Ltd.	15.78
All others	13.20
Source: 74 FR 64045, December 7, 2009.	

Sales at LTFV

On November 17, 2009, Commerce published a notice in the *Federal Register* of its preliminary determination of sales at LTFV with respect to imports from China.[11] Table I-3 presents Commerce's preliminary dumping margins with respect to imports of OCTG from China.

[11] *Certain Oil Country Tubular Goods From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination*, 74 FR 59117, November 17, 2009.

Table I-3
OCTG: Commerce's preliminary weighted-average LTFV margins with respect to imports from China

Producer/Exporter	Preliminary dumping margin (*percent*)
Jiangsu Changbao Steel Tube Co., Ltd.	0.00
Tianjin Pipe International Economic and Trading Corp.	36.53
Wuxi Seamless Pipe Co., Ltd. (Separate Rate Company)	36.53
Zhejiang Jianli Co., Ltd. (Separate Rate Company)	36.53
All other Separate Rate Companies	36.53
China-wide	99.14

Note.–Does not reflect revisions published subsequent to the Commission's initial record-closing date.

Source: 74 FR 59117, November 17, 2009.

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce has defined the scope of this investigation as follows:

> OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (''API'') or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.[12]

Tariff Treatment

The imported OCTG subject to these investigations are principally classified in the 2009 Harmonized Tariff Schedule of the United States ("HTSUS") in subheadings 7304.29, 7305.20, and 7306.29, casing and tubing of a kind used in drilling for oil or gas.[13] The HTSUS statistical reporting

[12] *Certain Oil Country Tubular Goods From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination*, 74 FR 64045, December 7, 2009.

[13] The tariff schedule concerning OCTG appears in appendix D. As of February 3, 2007, the HTS classifies stainless steel separate from "alloy" steel for casing and tubing. The basic structure of the classification system was maintained but there was renumbering of the six digit subheadings to maintain separate classifications of stainless steel and other alloy steel. The merchandise covered by the investigations is currently imported under the following HTSUS statistical reporting numbers: 7304.29.1010, 7304.29.1020, 7304.29.1030, 7304.29.1040, 7304.29.1050,

(continued...)

numbers are provided for convenience and customs purposes only; the written description of the scope of the investigation is dispositive. The column 1-general (most-favored-nation) rate of duty for these statistical reporting numbers, applicable to products subject to the investigations, is free.

THE PRODUCT[14]

Overview

Steel pipes and tubes are made in circular, rectangular, or other cross sections, and are generally manufactured by either the welded or seamless production process. Steel pipe and tube manufactured by either process can be categorized by the carbon and alloy grades used in steel production.[15] In addition, steel pipe and tube can be further categorized by end-use. The American Iron and Steel Institute (AISI) has defined six such end-use categories: standard pipe, line pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods (OCTG).[16]

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing and Materials (ASTM), the American Society of Mechanical Engineers (ASME), and the American Petroleum Institute (API). Comparable organizations in the United Kingdom, Japan, Russia, and other countries also have developed standard specifications for steel pipes and tubes.

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[13] (...continued)
7304.29.1060, 7304.29.1080, 7304.29.2010, 7304.29.2020, 7304.29.2030, 7304.29.2040, 7304.29.2050, 7304.29.2060, 7304.29.2080, 7304.29.3110, 7304.29.3120, 7304.29.3130, 7304.29.3140, 7304.29.3150, 7304.29.3160, 7304.29.3180, 7304.29.4110, 7304.29.4120, 7304.29.4130, 7304.29.4140, 7304.29.4150, 7304.29.4160, 7304.29.4180, 7304.29.5015, 7304.29.5030, 7304.29.5045, 7304.29.5060, 7304.29.5075, 7304.29.6115, 7304.29.6130, 7304.29.6145, 7304.29.6160, 7304.29.6175, 7305.20.2000, 7305.20.4000, 7305.20.6000, 7305.20.8000, 7306.29.1030, 7306.29.1090, 7306.29.2000, 7306.29.3100, 7306.29.4100, 7306.29.6010, 7306.29.6050, 7306.29.8110, and 7306.29.8150. In addition, Commerce states that OCTG coupling stock covered by the investigations may also enter under the following HTSUS statistical reporting numbers: 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.39.0062, 7304.39.0068, 7304.39.0072, 7304.39.0076, 7304.39.0080, 7304.59.6000, 7304.59.8015, 7304.59.8020, 7304.59.8025, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050, 7304.59.8055, 7304.59.8060, 7304.59.8065, 7304.59.8070, and 7304.59.8080.

[14] Except as noted, information presented in the "Description and Applications" and "Manufacturing Processes" is drawn from *Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Investigation Nos. 701-TA-363 and 364 (Final) and Investigation Nos. 731-TA-711-717 (Final)*, USITC Publication 2911, August 1995; from *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 701-TA-364 (Review) and 731-TA-711 and 713-716 (Review)*, USITC Publication 3434, June 2001; and from *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007.

[15] Included in alloy grades are heat-resisting, stainless, and "other" alloy grades.

[16] Standard, line, and pressure pipe is generally intended to convey liquids and is typically tested and rated for its ability to withstand hydrostatic pressure. Structural pipe and tubing is used for load-bearing purposes and construction, although only small amounts of seamless pipe are used in structural applications. Seamless mechanical tubing is typically a custom-designed product employed within the automotive industry and by equipment manufacturers. OCTG are steel pipes and tubes used in the drilling of oil and gas wells and in the conveying of oil and gas from within the well to ground level.

Description and Applications

OCTG includes casing and tubing of carbon and alloy steel used in oil and gas wells. Figure I-1 shows a simplified schematic arrangement of a typical well with a system of casing and tubing and figure I-2 presents a more detailed representation of an oil or gas well, including descriptions of different types of casing by depth and function.[17]

Recent advancements in oil and gas exploration technologies, including horizontal drilling[18] and hydraulic fracture,[19] have enabled gas wells to reach locations that were previously deemed cost-prohibitive (figure I-3). In addition, the application of the new technologies also permits more wells per acre, thus significantly increasing gas production and recoverable reserves.[20]

Casing is a circular pipe that serves as the structural retainer for the walls of the well with an outside diameter (O.D.) ranging from 4.5 to 20 inches and a length typically ranging from 34 to 48 feet.[21] Casing provides a firm foundation for the drill string[22] by supporting the walls of the hole to prevent caving in both during drilling and after the well is completed. After the casing is set, concrete is usually pumped between the outside of the casing and the wall of the hole to provide a secure anchor. Casing also serves as a surface pipe designed to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. Casing must be sufficiently strong to carry its own weight and to resist both external pressure and pressure within the well. Casing can be threaded at both ends and connected with other casing pieces with couplings or connectors. Because the amount of open hole that can be drilled at any one time is limited, larger wells require a string of concentric layers of casing rather than a single casing. Several sizes of casing may be set inside the well after it has been drilled, with the larger sizes set at the top of the well and the smaller sizes set toward the bottom.

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[17] As of December 11, 2009, 393 active rotary rigs were drilling in the United States for oil; 757 for natural gas; and 11 for miscellaneous products, according to the Baker Hughes North American rotary rig count.

[18] Horizontal drilling is defined as the drilling of any well in which the angle of deviation of the wellbore reaches at least 80 degrees from the vertical, maximizing the length of wellbore exposed to the formation. As of December 11, 2009, over 48 percent of active rotary rigs in the United States were employing horizontal drilling, according to the Baker Hughes North American rotary rig count. See Baker Hughes Incorporated found at http://investor.shareholder.com/bhi/Tools/oil_glossary_g_k.cfm#h, retrieved December 12, 2009.

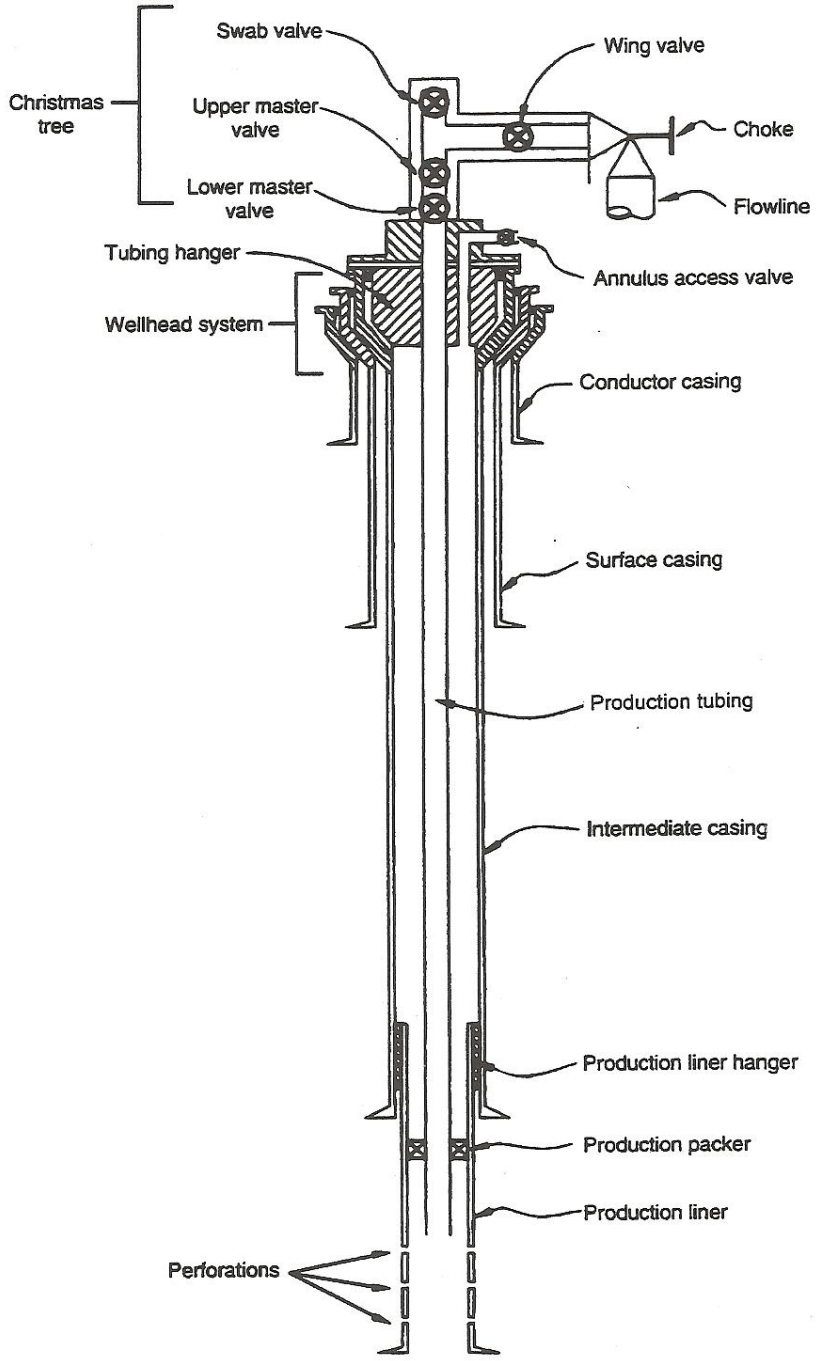
[19] In a hydraulic fracture process, water, chemical, and sand are injected at high pressure through the holes of the pipe into the surrounding shale, fracturing it and thereby allowing more gas from the shale to enter the pipe, found at http://www.earthworksaction.org/FracingDetails.cfm, retrieved December 12, 2009.

[20] Vello A. Kuuskraa, *Unconventional Natural Gas: Industry Savior or Bridge?* 2006 EIA Energy Outlook and Modeling Conference, March 27, 2006, Washington, DC, p. 24.

[21] American Iron and Steel Institute, Instructions for Reporting Steel Shipment Statistics, January 1988, and ANS/API specification 5CT, Eighth Edition, July 1, 2005.

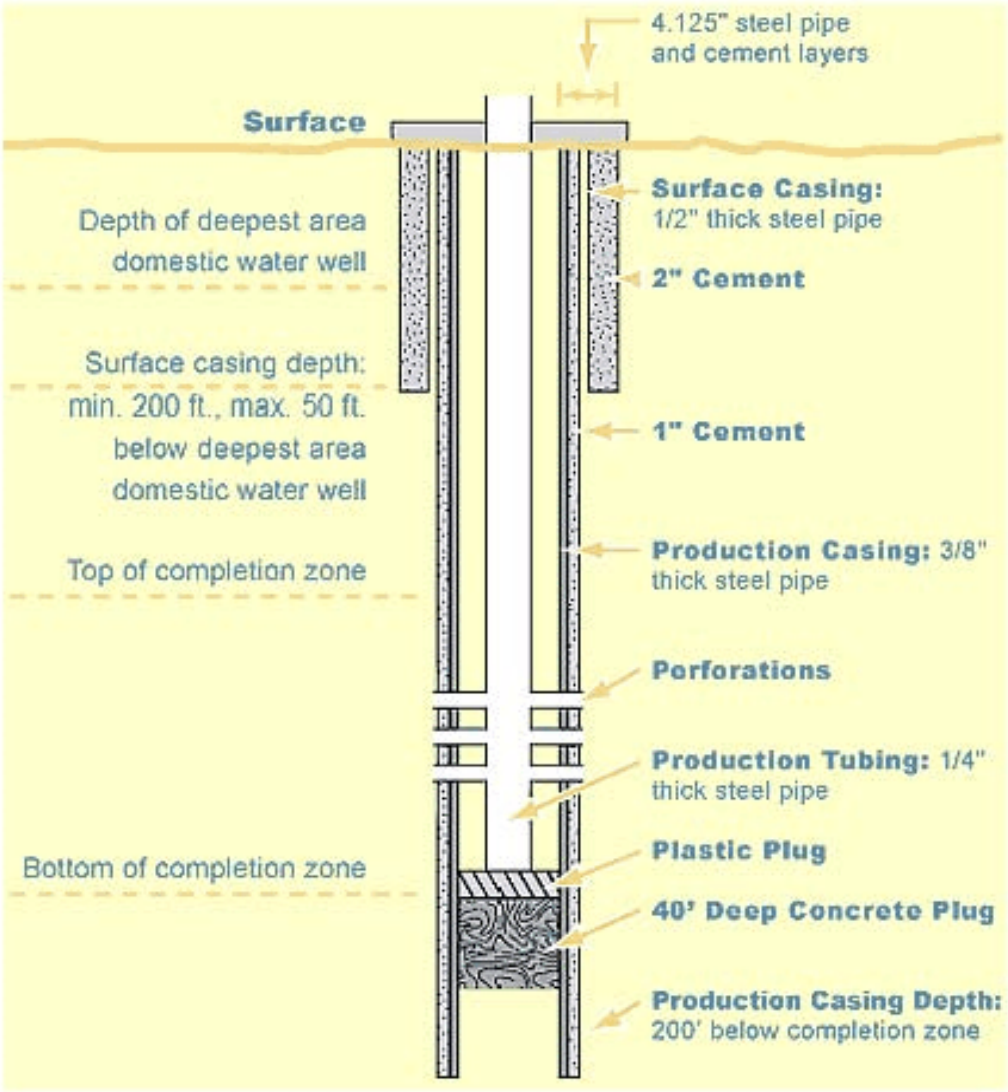
[22] The drill string is composed of three types of nonsubject products: drill pipes, drill collars, and the drill bit.

Figure I-1
Casing and tubing: Simplified diagrammatic representation of a well showing the casing strings and production tubing



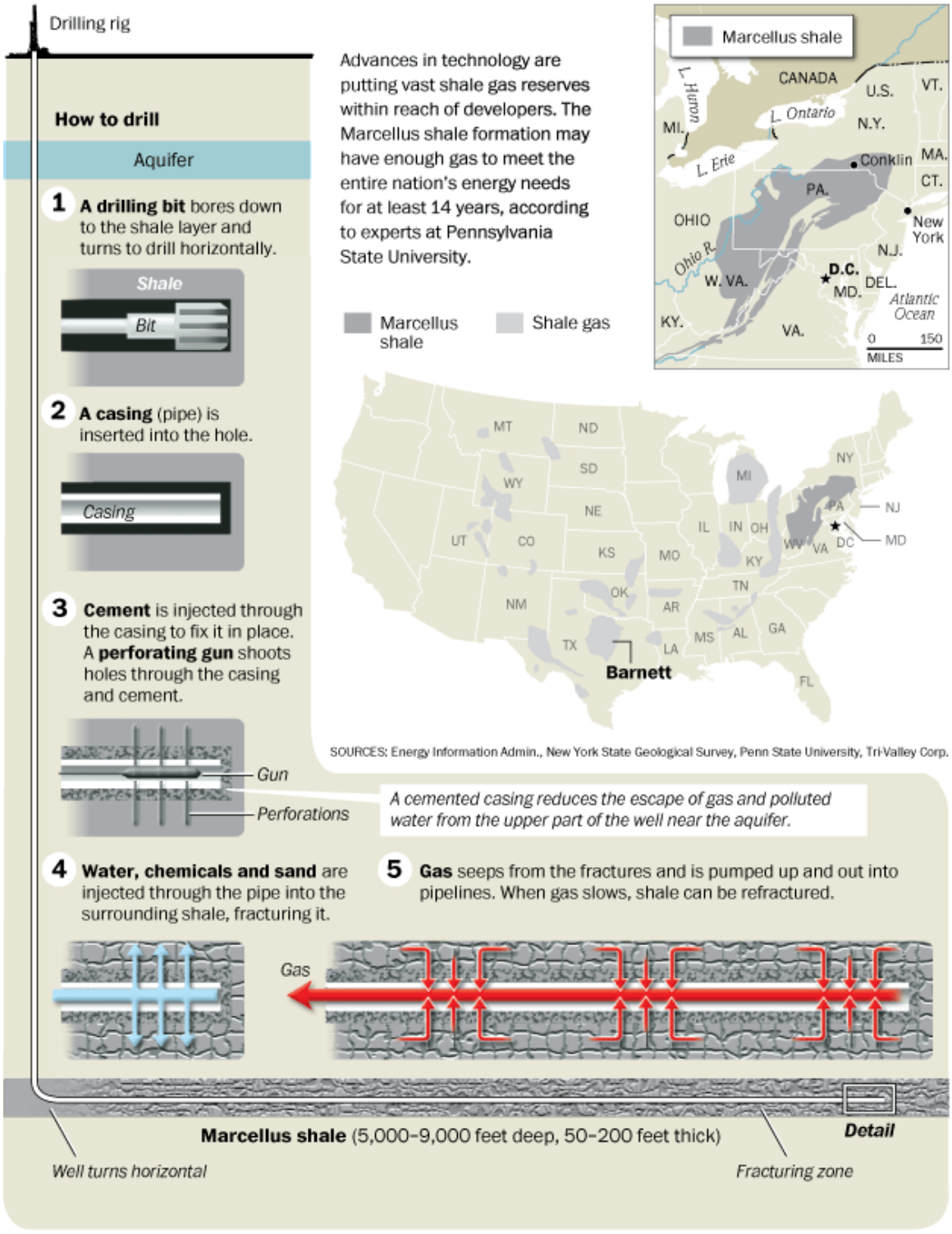
Source: *Introduction to Oil and Gas Production, Fifth Edition*, American Petroleum Institute, June 1996, p. 11.

Figure I-2
Casing and tubing: Subsurface components of an oil or gas well, including descriptions of different types of casing by depth and function



Source: La Plata Energy Council (Durango, CO), from http://www.energycouncil.org/images2/CasingDiag.gif, retrieved on March 20, 2007.

Figure I-3: Casing and Tubing for shale gas drilling technology



Source: Washington Post, found at http://www.washingtonpost.com/wp-dyn/content/graphic/2009/12/02/GR2009120204488.html, retrieved December 6, 2009.

Tubing is a smaller-diameter pipe (between 1.050 and 4.500 inches in O.D.) installed inside a larger-diameter casing that is used to conduct the oil or gas to the surface either through natural flow or through pumping.[23] Substances (such as lubricant) are also pumped into the well through the tubing for well treatment. Tubing must be strong enough to support its own weight, that of the oil or gas, and that of any pumping equipment suspended on the string. Tubing, like casing, usually is produced in accordance with API specification 5CT.[24]

Coupling stock is a seamless tubular product used to make a coupling blank which, in turn, is used to produce coupling.[25] Coupling is a thick-walled and internally threaded cylinder that is used for joining two lengths of threaded pipe. Coupling typically accounts for 2 to 3 percent of the weight of end-finished tubing or casing.

Manufacturing Processes

The manufacturing process for casing and tubing includes forming and finishing phases. The forming phase takes place entirely at the manufacturing facility or mill. Finishing, by contrast, may take place at the mill or at a processing or threading facility.

Forming Phase

OCTG mills manufacture casing and tubing either by the seamless process or by the electric resistance-welding ("ERW") process, a lower cost method than the seamless process, depending on the service requirements. By contrast, mills manufacture coupling stock for OCTG couplings exclusively through the seamless process.

In the ERW process (figure I-4), the input is steel sheet in coil form. The steel sheet is slit to the width which corresponds to the desired diameter of the tube. The slit sheet passes through a series of rollers while at ambient temperature and forms a tubular shape. The edges are then heated by electric resistance[26] and welded by heat and pressure, without the addition of filler metal. The welding pressure

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[23] American Iron and Steel Institute, Instructions for Reporting Steel Shipment Statistics, January 1988.

[24] API specification 5CT designates grades for both casing and tubing. These grades include a letter (e.g., H, J, K) which typically corresponds to a minimum tensile strength level (with "H" being the weakest and "Q" the strongest), followed by a number (e.g., 55, 80). The number specifies the minimum yield strength in thousands of pounds per square inches (psi) of the pipe material. Thus, grade J55 or K55 requires that the subject OCTG has minimum yield strength of 55,000 psi but differs in minimum tensile strength. An OCTG grade may include several types. Each specific grade, in combination with a specific type (e.g., grade L80, type 9 Cr), is required to have certain mechanical properties (including yield strength), chemical compositions, methods of production (seamless or welded), heat treatments, testing procedures, and other engineering specifications, depending on customers' requirements. For example grade L80, type 1 contains no chromium, can be seamless or welded, and the pipe has to be quenched and tempered. Grade L80, type 9 Cr must contain between 8 to 10 percent chromium by weight, is seamless, tempered and quenched. Certain OCTG must be heat treated to achieve particular physical characteristics and grade. For example, to reduce system weight by using thinner-walled pipe, well operators employ a light-walled high-strength casing made from high grade steel.

[25] Coupling blank, as the name implies, is not threaded.

[26] The heat for welding is generated by resistance of the steel to the flow of electric current. In one process, a low frequency (typically 60 to 360 hertz) is conducted to the strip edges by a pair of copper alloy discs which rotate as the pipe is propelled under them. A second variation uses high frequency current (in the range of 400 to 500 kilohertz) which enters the tubing through shoes which act as sliding contacts. An induction coil can also be used with the high frequency current to induce current in the edges of the steel. No direct contact between the induction coil and the tubing is required. American Iron and Steel Institute, *Steel Products Manual Steel-Specialty Tubular*

(continued...)

causes some of the metal to be squeezed from the joint, forming a bead of metal on the inside and the outside of the tube. This bead, or welding flash, is usually trimmed from both the outside and the inside surfaces.

Seamless OCTG (figure I-5) is manufactured by either of two high temperature methods to form a central cavity in a solid steel billet, namely, the rotary piercing method and the hot extrusion method. The input for seamless tubing is a round or square steel billet. If a square billet is used, it is first forced through a single circular roll pass, producing a round billet for the piercing operation.

Finishing Phase

Subsequent to the forming phase, the pipe is heat-treated, upset, and threaded. U.S. pipe mills typically are equipped with the facilities necessary to perform these processes. However, there are various non-pipe producers, known as processors or threaders, that can perform certain aspects of the finishing operations. Independent processors operate facilities that are capable of full body heat treatment as well as upsetting ends.[27] Threaders are capable of threading and coupling, hydrostatic testing, and measuring the length of OCTG products. Some processors and threaders may also manufacture couplings that become part of the finished OCTG.[28] According to an industry source, processors and threaders mainly serve imports since OCTG are often imported as plain ends, and are upset, threaded and heat-treated in the United States. This approach provides distributors with the flexibility to process and thread the product in compliance with a variety of specifications, thus allowing them to serve a variety of consumer needs.[29]

In the *rotary piercing method*, the heated billet is gripped by angled rolls, which cause it to rotate and advance over a piercer point, forming a hole through its length. In the *extrusion method*, the billet is hot punch-pierced and then extruded axially through a die and over a mandrel, forming a hollow shell.

The hollow shell produced by either method is then rolled with a fixed plug or with a continuous mandrel inside the shell to reduce the wall thickness and increase the length. Finally, the shell is rolled in a sizing mill or a stretch reducing mill where it is formed to size.

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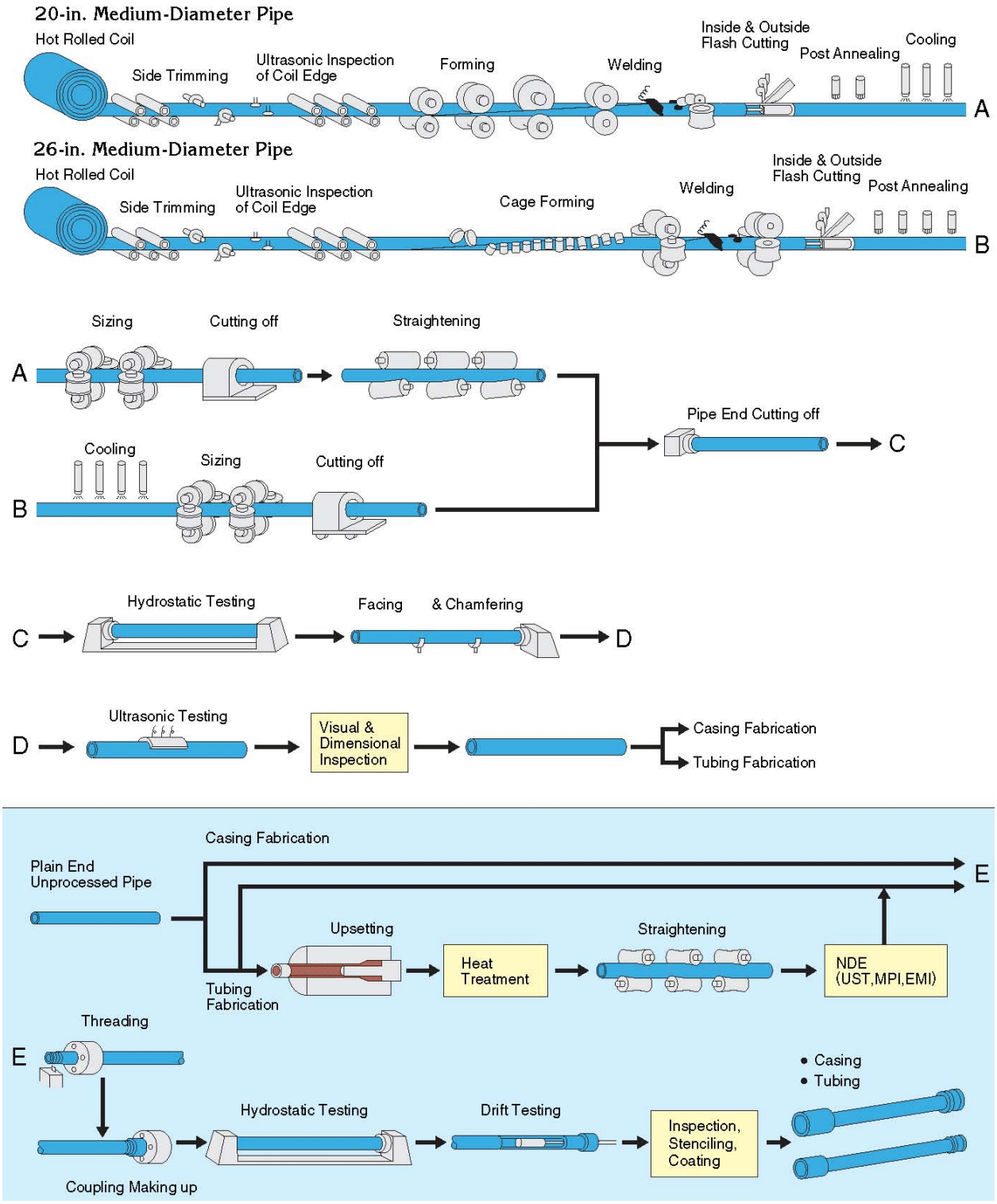
[26] (...continued)
Products, October 1980, pp. 19–20.

[27] Most processors are also threaders but there are many threaders that are not processors. For this reason, the term "processor" in this and other sections of this report is meant to include processors who are also threaders. Discussion of independent threaders is limited in this report, as the Commission in recent OCTG investigations has not deemed threaders to be part of the domestic industries producing casing and tubing. *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

[28] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

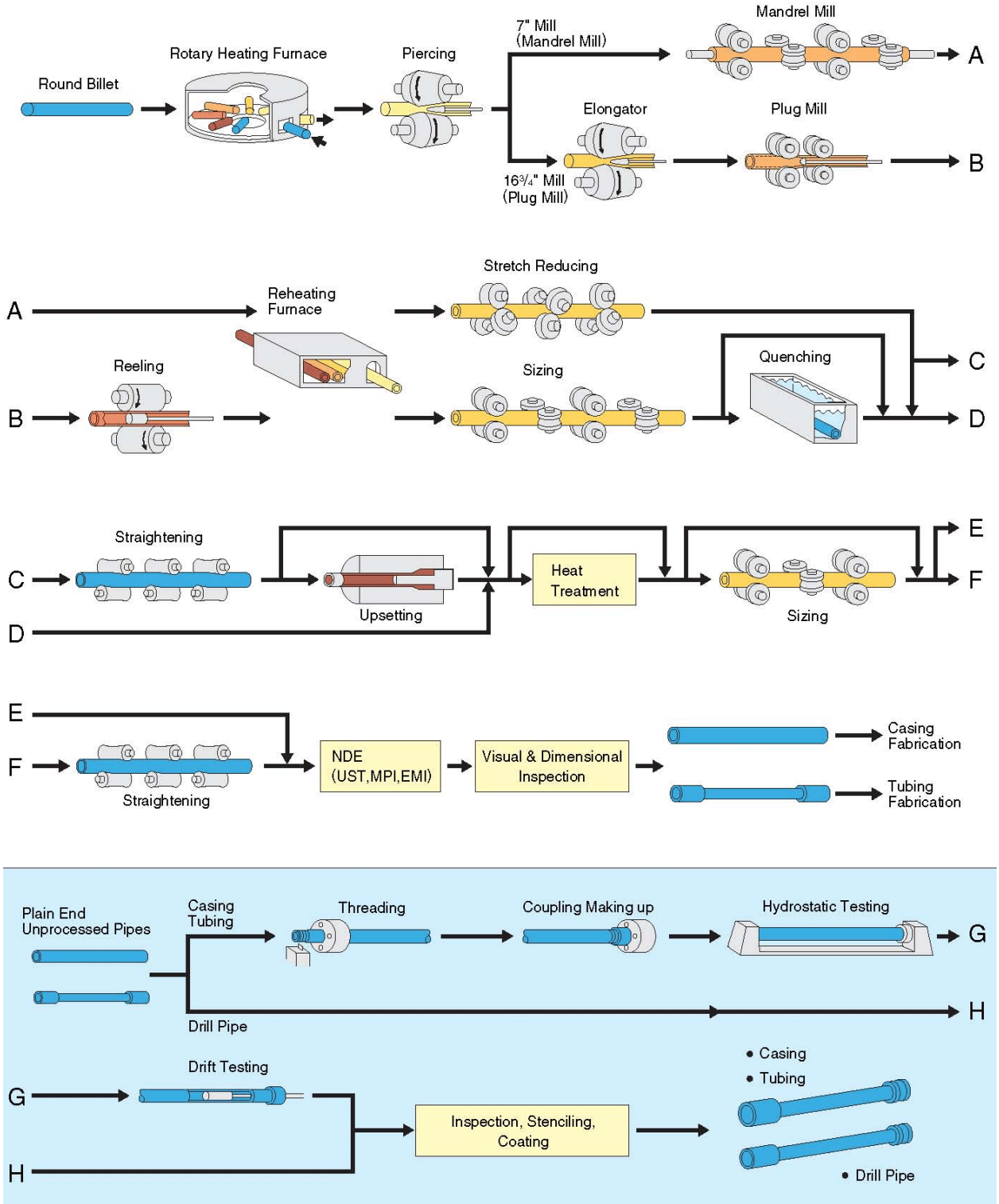
[29] ***, staff telephone interview, May 8, 2009.

Figure I-4
Casing and tubing: ERW manufacturing process



Source: *JFE OCTG (Catalog)*, p. 9, from http://www.jfe-steel.co.jp/en/, retrieved on March 20, 2007.

Figure I-5
Casing and tubing: Seamless manufacturing process



Source: JFE OCTG (Catalog), p. 8, from http://www.jfe-steel.co.jp/en/, retrieved on March 20, 2007.

Finishing Phase

Subsequent to the forming phase, the pipe is heat-treated, upset, and threaded. U.S. pipe mills typically are equipped with the facilities necessary to perform these processes. However, there are various non-pipe producers, known as processors or threaders, that can perform certain aspects of the finishing operations. Independent processors operate facilities that are capable of full body heat treatment as well as upsetting ends.[30] Threaders are capable of threading and coupling, hydrostatic testing, and measuring the length of OCTG products. Some processors and threaders may also manufacture couplings that become part of the finished OCTG.[31] According to an industry source, processors and threaders mainly serve imports since OCTG are often imported as plain ends, and are upset, threaded and heat-treated in the United States. This approach provides distributors with the flexibility to process and thread the product in compliance with a variety of specifications, thus allowing them to serve a variety of consumer needs.[32]

Heat treatment

In steel manufacturing processes, specific engineering characteristics can be achieved through the application of different heat treatments.[33] Heat treating may involve one or more heating cycles in either a continuous furnace or in a batch furnace, with controlled rates of cooling. Specific heat treating requirements depend on the grade of steel being processed. For welded pipe, the heat treatment (which may be performed while the pipe is still in the continuous processing line) may cover the welded seam only or the full cross-section of the pipe. API standards specify a documented procedure for every

[30] Most processors are also threaders but there are many threaders that are not processors. For this reason, the term "processor" in this and other sections of this report is meant to include processors who are also threaders. Discussion of independent threaders is limited in this report, as the Commission in recent OCTG investigations has not deemed threaders to be part of the domestic industries producing casing and tubing. *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

[31] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

[32] ***, staff telephone interview, May 8, 2009.

[33] During the steel making process, certain alloys are added to the mix to achieve the desired characteristics. The American Iron and Steel Institute specifies three broad categories of steels, depending on their chemical compositions: (1) The first group is carbon steels containing by weight 2 percent or less of carbon. Carbon steel is used in standard applications. (2) The second group is stainless steels containing by weight 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements and a minimum of 50 percent iron. These steels are used in applications requiring resistance to oxidation and corrosion. *These products are excluded from the subject investigations.* (3) Alloy steels are those that are not classified as carbon or stainless steels and have specified maximum contents of elements including manganese, silicon, copper, nickel, lead or any other elements added to obtain a desired alloying effect. Depending on the specific applications, OCTG are required to be made from a specific category of steel as determined by its grades and types. For standard operations, OCTG of grades H40, J55, K55, and N80 are used. For severe services including harsh weather or high stress operations, higher grades of OCTG are required. Specification for API grades are found in API, Specification for Casing and Tubing (U.S. Customary Units), *API Specification 5CT*, 1995; also in *(Tenaris) Oilfield Services: Products and Services for the Oil and Gas Industry,* retrieved on May 5, 2007 from http://www.tenaris.com/en/ProductsServices/Oilfield/pro_ser_propietary.asp.

particular grade and type of pipe.[34] API-specified heat treatment processes in the production of casing and tubing include (1) annealing, (2) normalizing, and (3) quenching and tempering.[35]

Annealing is a single heat treatment process that prepares the steel for fabrication or service. The steel is heated to a temperature in or near a specific range, and cooled at a predetermined rate or cycle. The designed properties of the steel, as specified by the customer, will determine the temperature, rate and cycle. Annealing relieves internal residual stresses or hardness induced by welding, by cold working, or by machining.

In the normalizing process, the pipe is heated above a specific temperature, held at this temperature for a specified time, and then air-cooled. Normalizing refines the steel grain size and obtains a carbide size and distribution which will be more suitable for future heat treatment than the as-rolled structure.[36]

Quenching and tempering is a sequential process in which the pipe is heated to a specific temperature for a specified period of time to modify the steel's micro-structure and then "quenched" in a cooling medium such as water, oil, or air, depending on the thickness of the pipe. After quenching, the steel is very brittle and must be reheated and then cooled under specific conditions. This process is called "tempering."[37] The pipe must undergo a specified process of quenching and tempering in order to qualify for specific API grade.

Depending on the pipe design, API standards may specify a single heat treatment process or a combination of processes for the pipe such as normalizing, normalizing and tempering, or quenching and tempering. Subsequent to heat treatment, sizing rolls will shape the tube to accurate diameter tolerances. The product is cooled and then cut to length at the end of the tube mill.[38]

Coupling stock is made to the same grade and type specifications as casing and tubing. It must also be subject to the same heat treatment as pipe except where specified by the purchaser.[39]

Upsetting and threading

Casing and tubing are finished by threading and the attachment of a suitable coupling to one end of each length. For some casing or tubing that is subject to severe or sour service,[40] it is necessary to

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[34] American Petroleum Institute, Specification for Casing and Tubing (U.S. Customary Units), *API Specification 5CT*, Fifth Edition, April 1, 1995, table 1: Process of Manufacture and Heat Treatment, p. 5.

[35] American Iron and Steel Institute, *Steel Product Manual, Steel Specialty Tubular Products*, October 1980, p. 26.

[36] United States Steel, "Principles of Heat Treatment of Steel," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1262.

[37] These processes are specified by the American Petroleum Institute, Specification for Casing and Tubing (U.S. Customary Units), *American Petroleum Institute Specification 5CT*, Fifth Edition, April 1, 1995, table 1, p. 5.

[38] United States Steel, "Manufacture of Steel Tubular Products," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1029.

[39] Coupling blanks may be obtained from coupling stock, forgings (shaped by pressure) or centrifugal casting. Specification for Casing and Tubing, *API Specification 5CT*, Fifth Edition, April 1, 1995.

[40] Sour crude oil (sour crude) or sour gas is defined as an oil/gas containing common impurities such as water, carbon dioxide, hydrogen sulfide, and oxygen, which are thoroughly mixed in with the oil during extraction, and are very difficult to eliminate. These impurities corrode and cause cracking in steel, albeit without any observable change in appearance prior to failure.

provide additional strength in the joint, and for this reason, the ends of the pipe are upset before the threads are cut. In the upsetting process, the end of the pipe is heated to forging temperature, then inserted endwise into an upsetting machine. The machine pushes the hot metal back, creating a thicker wall at the end of the pipe. The upsetting may be controlled to displace the extra thickness to the inside or to the outside of the pipe.

Tubing and casing can be joined directly using male (outer) and female (inner) threading, or by using couplings with female threads on each end.[41] Typically, the pipe is mounted on a lathe and threads are cut by using sharp steel cutting tools (called chasers) which are mounted on a threading die surrounding the pipe. As the pipe is turned on the lathe, the threading die moves along the pipe's axis, producing the required spiral cut on the inner or outer surface of the pipe. High quality thread must be clean and smoothly cut and the die must be properly designed and correctly set up.[42]

API standards specify three different types of threaded joints: short round thread casings and couplings, which are primarily used in surface pipe; long round thread casings and couplings, which feature stronger thread than short round threads and are used in deep string applications; and buttress threads, which have the same length as long threads, but are square and stronger than round thread.[43] Propriety threading, in contrast, that is specially designed, registered, and protected by patents or other intellectual property right mechanisms and is not specified by the API standards.

After threading, the thread is protected by a thread protector during handling, transportation or storage.[44] The protector is a metal or plastic cap which is screwed on to the pipe thread as specified by API standards. API also specifies that processors add a lubricant called "thread dope" between the pipe and the protector. This lubricant fills the gap between the cap and the pipe to prevent water penetration during handling, transportation or storage.

DOMESTIC LIKE PRODUCT ISSUES

Parties have raised no issues with respect to domestic product that is "like" the subject merchandise in these investigations. The petitioners initially proposed a domestic like product consisting of oil country tubular goods other than drill pipe and high-chromium casing and tubing, consistent with their proposed scope.[45] Respondents did not object to this definition of the domestic like product.

However, the scope language included in Commerce's notice of initiation for these investigations included an element not explicit in the petition's proposed scope: in addition to casing and tubing, it also covered OCTG coupling stock, while excluding finished (unattached) coupling.[46] Accordingly, when issuing draft questionnaires for the final phase of these investigations, Staff requested additional

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[41] Some drive pipes or surface pipes which are connected together by a few joints near the ground surface can be welded together.

[42] United States Steel, "Manufacture of Steel Tubular Products," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1059.

[43] *American Petroleum Institute Specification 5CT*, Fifth Edition, April 1, 1995, Specifications for Casing and Tubing (U.S. Customary Units), p. 34.

[44] Threading can be performed after transportation to avoid damage which can be caused by movement, water, or weather. Damaged thread can cause expensive ruptures of the pipe string in casing and tubing applications where pipes are connected to one another by threaded joints.

[45] Petition, p. 5.

[46] *Oil Country Tubular Goods From the People's Republic of China: Initiation of Antidumping Duty Investigation*, 74 FR 20671, May 5, 2009.

comments regarding data and other information collection with respect to coupling stock.[47] The petitioners did not believe that additional data collection or examination of coupling stock as a potential separate like product was necessary, while respondents did not address the issue.[48]

OCTG coupling stock is produced as a seamless, rather than welded, tubular product.[49] Like casing and tubing, OCTG coupling stock is provided for by API specification 5CT. Because OCTG coupling stock constitutes the feedstock for finished OCTG couplings, it must match the chemistry and physical properties of the casing or tubing that is to be joined by coupling. Like casing, coupling stock can be sold in relatively long lengths; however, coupling stock typically is produced with a heavier wall than comparable casing or tubing.[50]

As noted above, OCTG coupling stock is produced by seamless pipe producers but not welded pipe producers.[51] *** producers, ***, reported producing OCTG coupling stock on production lines shared with casing and tubing. *** did not report producing coupling stock on shared production lines, although the corporate website of *** characterizes the company as "***" and provides a coupling stock fact sheet.

As discussed above, coupling stock is offered in the same grade and general dimensions as casing and tubing. However, coupling stock is generally a thicker, heavier product than comparable casing or tubing.[52] Nonetheless, if produced in intermediate sizes, coupling stock reportedly can be produced in similar wall and diameter combinations as seamless casing.[53]

As noted above, U.S. producers that addressed this issue viewed OCTG coupling stock as a form of OCTG, rather than a separate product.[54] However, coupling stock can be sold through different distribution channels (i.e., consumed internally to produce couplings in-house or sold commercially to coupling manufacturers).[55] In terms of pricing, coupling stock is reportedly priced higher than comparable casing and tubing by *** percent, largely as a result of its heavier wall requirements.[56]

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[47] Staff correspondence to parties transmitting draft questionnaires, dated September 3, 2009 ("Commerce's scope now includes details regarding coupling stock that do not appear in the scope language for previous investigations. Should the Commission collect separate data, or even examine the traditional like product factors, with respect to coupling stock?").

[48] *See generally* correspondence from U.S. Steel; Maverick; and V&M Star, TMK IPSCO, Evraz Rocky Mountain Steel, Wheatland, and the USWA; and the Chinese respondents, dated September 11, 2009. Staff notes that the collection of certain data (e.g., import data) was required because coupling stock is not provided for in the same HTS subheadings as casing and tubing.

[49] Correspondence from V&M Star, TMK IPSCO, Evraz Rocky Mountain Steel, Wheatland, and the USWA, September 11, 2009, p. 2.

[50] Staff interview with ***, November 12, 2009.

[51] Staff notes that for welded standard pipe, couplings are often produced from welded tubular feedstock. Line pipe, whether welded or seamless, typically requires no couplings, as it is generally welded in the field.

[52] *See, e.g.,* U.S. Steel's listing of tubular products / coupling stock. For this reason, coupling stock quotations often include the finished bore size, or FBS. U.S. Steel Tubular Products, found at http://www.ussteel.com/corp/tubular/coupling-stock.asp, retrieved November 4, 2009.

[53] Staff interview with ***, November 12, 2009.

[54] Correspondence from V&M Star, TMK IPSCO, Evraz Rocky Mountain Steel, Wheatland, and the USWA, September 11, 2009, p. 2

[55] Correspondence from V&M Star, TMK IPSCO, Evraz Rocky Mountain Steel, Wheatland, and the USWA, September 11, 2009, p. 2

[56] Staff interview with ***, November 12, 2009.

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

U.S. MARKET CHARACTERISTICS

OCTG is sold across the United States to distributors and, ultimately, to production and exploration firms, with sales concentrated in major oil- and gas-producing regions. Three U.S. producers supply OCTG nationally. Of the remaining responding producers,[1] four reported sales of OCTG in the Central Southwest; three reported sales in the Mountain region; three in the Midwest; two in the Southeast; two in the Northeast; two in the West Coast region; and one in the Northwest. Also, three responding producers specifically reported making sales in Alaska, and one producer reported sales in Hawaii. Eight importers reported that they supply OCTG nationally. Of the remaining 26 responding importers, 6 importers supply only to the Central Southwest and 14 importers supply to two or more regions, mainly to the Central Southwest (12), the Mountain region (11), and the West Coast (5).

CHANNELS OF DISTRIBUTION

Domestically-produced and imported OCTG are sold mainly through distributors (table II-1). During the period for which data were collected, U.S. producers shipped 99 percent of their OCTG to distributors. U.S. importers shipped more than 90 percent of OCTG sales of imports from China to distributors in 2006, 2007 and 2009, and 84 percent in 2008. U.S. importers shipped more than 93 percent of imported OCTG from nonsubject sources to distributors in 2006-08, and about 89 percent in 2009.

Table II-1
OCTG: U.S. producers' and importers' shares of reported U.S. shipments, by sources and channels of distribution, 2006-08, January-September 2008, and January-September 2009

				January-September	
	2006	2007	2008	2008	2009
Item	Share of reported shipments (*percent*)				
Domestic producers' shipments:					
To distributors	99.1	99.6	99.3	99.6	98.7
To end users	0.9	0.4	0.7	0.4	1.3
Shipments of imports from China:					
To distributors	93.0	90.4	84.0	86.3	91.8
To end users	7.0	9.6	16.0	13.7	8.2
Shipments of imports from nonsubject sources:					
To distributors	96.0	94.5	93.3	95.4	89.3
To end users	4.0	5.5	6.7	4.6	10.7
Total imports:					
To distributors	94.4	92.0	87.1	90.1	90.7
To end users	5.6	8.0	12.9	9.9	9.3

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

[1] "Producer" refers to mills and processors that responded to the Commission's producer questionnaire, or otherwise provided information to the Commission.

SUPPLY AND DEMAND CONSIDERATIONS

Supply

U.S. Supply

Based on available information, U.S. producers have the ability to respond to changes in demand with moderate to high changes in the quantity of shipments of U.S.-produced OCTG to the U.S. market. The main factors contributing to the moderate degree of responsiveness of supply are the availability of unused capacity, some inventories, and the existence of alternative markets and production alternatives.

Industry capacity

Capacity utilization for U.S. producers increased irregularly from 68.5 percent in 2006 to 69.0 percent in 2008, but was only 17.6 percent in January-September 2009 compared with 67.6 percent in January-September 2008. While rolling capacity remained available, heat treating capacity was far more constrained, at least during 2006-08, limiting the ability of certain U.S. producers to increase production of seamless alloy steel OCTG that requires heat treatment.

Alternative markets

Exports of OCTG decreased irregularly from *** percent of U.S. producers' total shipments in 2006 to *** percent in 2008; exports accounted for *** percent in January-September 2009 compared with *** percent in January-September 2008.

Inventory levels

U.S. producers' inventories as a ratio of their total OCTG shipments fluctuated between 2006 and 2008, decreasing irregularly from *** percent of their shipments in 2006 to *** percent in 2008. Inventories accounted for *** percent of annualized shipments in September 2009, compared with *** percent in September 2008.

Production alternatives

U.S. producers produce welded and seamless oil/gas well casing and tubing, mechanical tubing, and standard/line/pressure pipe on the same equipment used to produce OCTG. According to questionnaire responses, approximately one-third of shared welded production in 2008 was other (non-OCTG) welded products and about one-fourth of shared seamless production was other seamless products.[2]

[2] Table III-4.

Supply constraints

U.S. producers were asked if they refused, declined, or were unable to supply OCTG since January 1, 2003.[3] [4] Five of the seven responding producers reported that they did have restrictions of some variety in place since that time. Some companies provided additional comments in their questionnaire responses. Producer *** stated that "***." Producer *** reported that "***." Producer *** reported that "***." Producer *** declared that "***." Producer *** explained that "***." ***, one of the responding producers that reported no restrictions, also reported that it had *** it was *** on some orders.

Supply of Subject Imports from China

Based on available information, Chinese producers have the ability to respond to changes in demand with moderate to high changes in the quantity of shipments of OCTG to the U.S. market. The main contributing factors to the moderate to high degree of responsiveness are the existence of some unused capacity, some inventories, and the existence of home and non-U.S. export markets sales.[5]

Industry capacity

Chinese producers' reported capacity utilization rates for OCTG increased irregularly from 81.1 percent in 2006 to 83.4 percent in 2008, and are projected to be 70.9 percent in 2009 and 72.7 percent in 2010. Accordingly, Chinese producers have some excess capacity with which they could increase OCTG production.[6]

Alternative markets

Commercial shipments of OCTG to the Chinese home market, as a percentage of total shipments, decreased from 75.6 percent in 2006 to 59.6 percent in 2008. Chinese OCTG producers' exports to the United States, as a percentage of total shipments, increased from 10.0 percent in 2006 to 22.9 percent in 2008. Chinese producers' exports of OCTG to non-U.S. markets, as a percentage of total shipments, increased irregularly from 12.1 percent in 2006 to 15.1 percent in 2008. These data indicate that Chinese producers have the ability to shift shipments from alternative markets in response to price changes.

Inventory levels

Available data indicate that Chinese OCTG producers' inventories, as a percentage of total shipments, increased from *** percent in 2006 to *** percent in 2007, and decreased to *** percent in 2008. Inventories are projected to rise in 2009 to *** percent, but projected to decrease to *** percent in 2010. These data indicate that subject producers may be somewhat limited in their ability to use inventories as a means of increasing shipments of OCTG to the U.S. market.

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[3] This includes placing customers on allocation or "controlled order entry," declining to accept customers or renew existing customers, delivering less than the quantity promised, or failing to meet timely shipment commitments.

[4] Three of 50 purchasers reported problems with their contracts: purchaser *** reported that ***; purchaser *** reported that in ***; purchaser *** reported that ***.

[5] Petitioners contend that ***. U.S. Steel Prehearing Brief, p. 60.

[6] ***. Respondents' posthearing brief, exhibit 17.

Production alternatives

Chinese OCTG producers reported producing welded and seamless oil/gas well casing and tubing, OCTG coupling stock, drill pipe, mechanical tubing, and standard/line/pressure pipe on the same equipment used to manufacture OCTG. They also reported that three-quarters of shared welded production is other welded products and more than one-third of shared seamless production is other seamless products.[7]

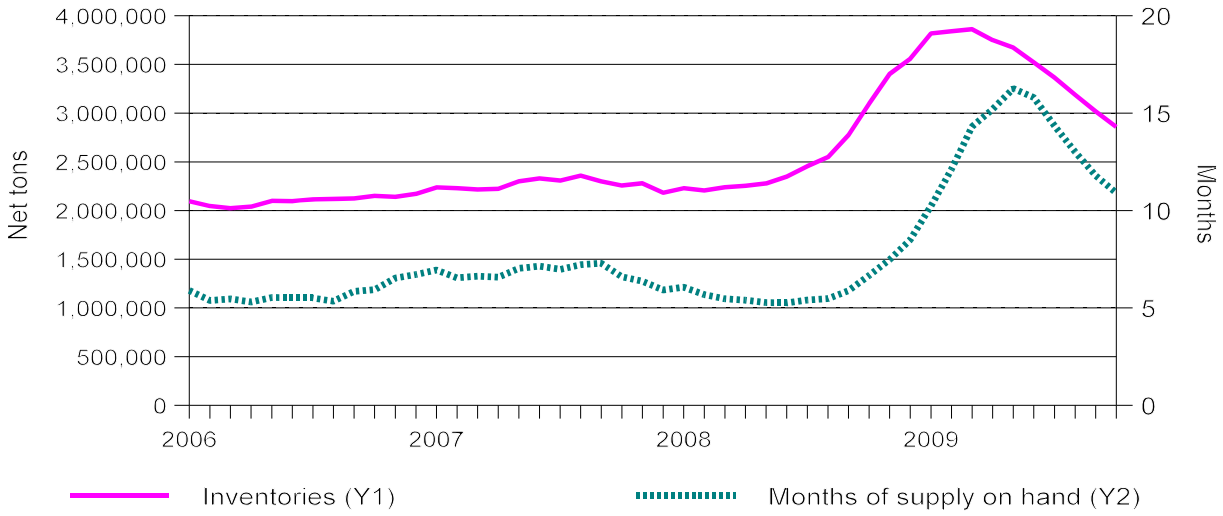
Supply Constraints

Importers of Chinese subject product were asked if they had refused, declined, or been unable to supply OCTG since January 1, 2006. Twelve of 31 responding importers of Chinese subject product reported that they had restrictions of some nature in place. Some companies provided additional comments in their questionnaire responses. Importer *** reported that during March 2008-December 2008 it ***. Importer *** reported that it ***. Importer *** reported that ***.

Distributor and User Inventories

Distributor and user inventories were relatively stable during January 2006-June 2008. According to U.S. producers' testimony during the hearing, market participants prefer to see inventories at or below six months of supply.[8] According to public data compiled by Preston Publishing, the absolute level of OCTG inventories began to increase from mid-2008 until March 2009, and then decreased over the remainder of the period (Figure II-1). However, because of the steep decline in operator consumption, the months of supply on hand were substantially higher in 2009 than in the previous years (Table II-2).

Figure II-1
OCTG: U.S. inventory levels and months' supply on hand, January 2006-October 2009



Source: Preston Publishing Co.

[7] Table VII-5.

[8] Hearing transcript, p. 56 (Sutton).

Table II-2
OCTG: Number of months of supply on hand, January 2006-October 2009

	2006	2007	2008	2009
January	5.9	6.9	6.1	10.2
February	5.4	6.6	5.7	12.1
March	5.5	6.6	5.5	14.3
April	5.3	6.6	5.4	15.2
May	5.5	7.0	5.3	16.3
June	5.5	7.2	5.3	15.8
July	5.5	7.0	5.4	14.3
August	5.3	7.2	5.5	13.0
September	5.8	7.3	5.9	11.8
October	5.9	6.6	6.7	10.9
November	6.5	6.4	7.5	–
December	6.7	5.9	8.5	–

Source: Calculated from data provided by Preston Publishing Co.

U.S. Purchasers' Inventories

Purchasers were asked to report their end-of-period inventories of OCTG from the United States, China, and from all other countries.[9] Reported end-of-period inventories of domestic OCTG decreased from 455,467 short tons in December 2006 to 403,753 short tons in December 2007 and increased to 494,226 short tons in December 2008. Inventories reported by responding purchasers were 375,044 short tons in September 2009 compared with 418,580 short tons in September 2008.

Purchasers' reported inventories of Chinese OCTG increased from 89,671 short tons in December 2006 to 112,215 short tons in December 2007 and to 347,559 short tons in December 2008. These inventories were 309,320 short tons in September 2009 compared with 284,430 short tons in September 2008.

Purchasers' inventories of OCTG from nonsubject countries decreased from 115,082 short tons in December 2006 to 91,745 short tons in December 2007 and then increased to 222,825 short tons in December 2008. Inventories were 177,454 short tons in September 2009 compared with 142,983 short tons in September 2008.

Purchasers were asked to discuss changes in the levels of their firms' inventories and purchases of OCTG. Of the responding purchasers, 14 firms reported higher-than-desired inventories at the end of 2008 and into 2009: the inventory build-up was generally attributed to shortages and longer delivery periods of domestic OCTG during 2008. Twelve purchasers reported purchasing foreign OCTG to satisfy the high demand in 2008. Three firms specified purchasing OCTG from China, three firms mentioned Korea, and one mentioned Japan.

[9] Thirty-six responding purchasers reported usable data: 24 distributors, 6 end users, and 6 other type of firms (2 importers, 1 manufacturer and reseller, 1 processor, 1 steel trader, and 1 broker).

Quantity (*in short tons*)					
	Calendar years			January-September	
Item	2006	2007	2008	2008	2009[1]
End-of-period inventories of OCTG from:					
United States	455,467	403,753	494,226	418,580	375,044
China	89,671	112,215	347,559	284,430	309,320
Other countries	115,082	91,745	222,825	142,983	177,454

[1] Purchasers that reported inventories were asked to review their responses and to estimate the quantity of "shale-ready" casing (casing with particular attributes that makes it well-suited for use in drilling in shale plays) for inventories held as of September 30, 2009. Fifteen of 36 purchasers responded to the Commission's question: 0.6 percent of purchasers' inventories of U.S. OCTG consisted of the specified welded casing; 7.7 percent of purchasers' inventories of U.S. OCTG consisted of the specified seamless casing; 9.4 percent of purchasers' inventories of Chinese OCTG consisted of the specified seamless casing; and 0.3 percent of purchasers' inventories of nonsubject OCTG consisted of the specified seamless casing.

Note.--According to testimony provided at the hearing, certain types of casing are preferred for drilling operations in the shale plays. Hearing transcript, pp. 359 (Dunn) and 406-408 (Dunn). To provide greater clarity into purchaser inventory holdings, Staff requested purchasers to quantify their September 2009 holdings of welded casing grade P-110 in diameters of 4-1/2 through 5-1/2 inches (inclusive) in lengths of 42 feet or less, and seamless casing grade P-110 in diameters of 4-1/2 through 7-5/8 inches (inclusive) in lengths of 42 feet or less. The responses to this query included not only data but also certain clarifications. Specifically, the importance of casing length tends to reflect the type of drill rig in use, rather than (necessarily) the area in which the rig is engaged. "Flex" rigs using automated casing handlers reportedly are more likely to utilize shorter lengths of casing. Such rigs are reportedly used in the shale plays because of their mobility. However, they are not used exclusively in the shale plays, nor are the shale plays exclusively serviced by such rigs. Moreover, flex rigs can be operated without using the automated casing handling system. Staff telephone interview with ***, December 7, 2009. Staff also received feedback suggesting that a range of grades of OCTG can be employed in the shale plays. See, e.g., Response to ITC Questions from *** ("The sizes, weights and grades that are utilized in these areas are commonly used items in all facets of our industry. For example, P-110 grade pipe is not the only type of pipe used in shale plays - large volumes of carbon grade pipe and other alloy grades (such as N-80) are also used in shale drilling. Furthermore, all of the OCTG used in shale drilling is also commonly used in vertical drilling.").

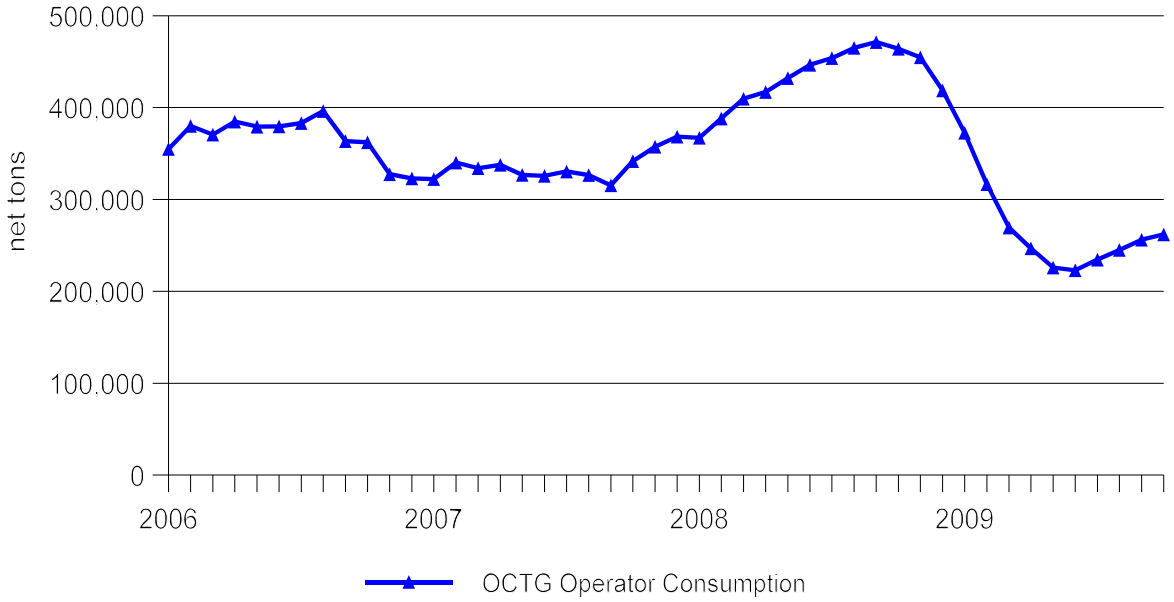
Demand

Based on available information, it is likely that changes in the price level of OCTG will result in a small change in the quantity of OCTG demanded. The main contributing factors to the small degree of responsiveness of demand are the lack of substitute products for OCTG and the fact that OCTG represents a low to moderate share of overall drilling costs.

Demand Trends

Apparent U.S. consumption decreased between 2006 and 2007, then increased sharply in 2008, but during the first three quarters of 2009 was less than one-half the level of apparent U.S. consumption in the comparable interim period of 2008. However, this measure does not take into account changes in importer, distributor, or end user inventories. According to public data compiled by Preston Publishing, OCTG operator consumption decreased moderately in 2007 relative to 2006. After February 2008, operator consumption increased until October 2008, then decreased through June 2009 and has been rising through October 2009 (figure II-2).

Figure II-2
OCTG operator consumption, by month, January 2006-October 2009



Source: Preston Publishing Co.

U.S. Demand

One of the responding U.S. producers reported that U.S. demand increased, three reported that demand fluctuated, and three indicated that demand decreased. The producers that reported increased or fluctuating demand added that demand increased in 2006, stabilized in 2007, increased dramatically through mid-2008, and then decreased substantially thereafter. When asked to describe their firms' ability to forecast and respond to changes in demand, four producers reported that, despite their experience in the OCTG market, they were unable to forecast the increase in Chinese imports and the dramatic drop in natural gas and oil prices which caused the decrease in drilling activity.[10] Another producer added that OCTG demand not only dropped in late 2008 due to low gas and oil prices, but demand for U.S. mill-produced OCTG "***."[11]

Sixteen of 31 responding importers indicated that demand for OCTG has increased since 2006. Similar to the U.S. producers' responses, most of these firms indicated that demand had increased because of higher prices for crude oil and natural gas that generated greater incentives to drill more wells to produce more hydrocarbons. Of the remaining responding importers, six indicated that demand had fluctuated, and nine reported that demand decreased. These latter responding importers indicated that demand decreased in the most recent period because the oil and gas prices decreased steeply, reducing the incentive to drill and resulting in a decrease in oil and rig counts.

When asked to describe their firms' ability to forecast and respond to changes in demand ***, reported that they used trade publications to forecast market conditions, *** reported they were not able to forecast the recent decline in demand, *** reported that it was in a good position to predict demand but not the impact of imports, and *** reported that the decline in demand in 2009 was unpredicted. Eleven importers reported no ability or limited ability to forecast OCTG demand with any degree of accuracy.

[10] *** U.S. producers' questionnaires.

[11] *** U.S. producers' questionnaire.

Five importers reported that they only purchase to order, and, when orders decrease, they cut expenses to remain in business.

Twenty-nine of 39 responding purchasers indicated that demand in the United States for OCTG has fluctuated since 2006. Most of these firms indicated that, while demand had increased from January 2006 until mid-to-late 2008 due to the increase in the prices for crude oil and natural gas, demand decreased in late 2008 when the oil and gas prices decreased steeply, reducing the incentive to drill and resulting in a decrease in oil and rig counts. Of the remaining responding purchasers, seven indicated that demand had increased, one indicated that demand stayed the same, and two reported that demand decreased.[12]

Purchasers that are end users of OCTG were asked to describe how demand for their final products incorporating OCTG has changed since January 2006. Ten of 12 responding purchasers reported that demand for their final products has fluctuated, and the remaining 2 purchasers reported that demand has increased. Similar to demand for OCTG, demand for the final products incorporating OCTG depends on drilling activity that is closely tied to oil and natural gas prices, as well as general economic activity and commodity prices.

Purchasers were asked whether their purchasing patterns for OCTG had changed since 2006. Thirty-two of 46 purchasers reported that their purchasing patterns of OCTG have changed, and 14 reported that their patterns remained the same. Several purchasers that reported changes in purchasing patterns added that their purchases followed the changes in demand, especially in 2008 when they purchased up to three times more product than in the past.[13] Some purchasers could not find enough OCTG to satisfy their needs either due to availability, long lead times, or transportation problems, and they "had to" purchase OCTG from nontraditional sources in order to have product available.[14]

Purchasers were asked to discuss the changes in the levels of their firms' purchases of OCTG. Fifteen purchasers reported that they were unable to obtain the desired volume of OCTG during 2008 and they alternated their sources of supply to foreign mills (six purchasers specified purchasing OCTG from China, another purchaser mentioned China, Canada and Austria, and one purchaser mentioned purchasing OCTG from Japan). Some purchasers provided additional comments: *** reported that, ***. *** reported that during 2008, it "***." *** reported that during 2008 "***. *** reported that ***. A few purchasers reported that they were unable to anticipate the downturn in demand at the end of 2008, although two purchasers reported that they purchase on a need basis and when demand dropped, so did their purchases.

According to the petitioners, gas shale plays represent "a tremendous potential on servicing the energy industry going forward."[15] Moreover, the respondents testified that "We expect to see growth in

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[12] Distributor Premier Pipe testified at the conference that "in the spring of 2008, as the rig count was increasing, we increased our purchases from both domestic and foreign suppliers in order to keep up with the stronger demand from our customer base." Conference transcript, p. 58 (Dewan).

[13] While many responses focused on demand trends, others introduced additional purchasing considerations. Distributor Cinco Pipe and Supply testified at the hearing that it was "undercut time after time by distributors and speculators who were willing to sell low-priced Chinese products. Even in a period of strong demand like we had last year, there will always be a significant number of end users whose purchase decisions are based primarily on price." Hearing transcript, p. 121 (Miller). *See also* testimony of Byron Dunn, Principal, Tubular Synergy Group ("There are speculators . . . and it doesn't take a rocket scientist in a hot market to see the opportunities. . . but yes, there were several significant, well capitalized, companies that were speculating. There were some big ones, and then there were a bunch of little guys that were doing ones and twos.") Hearing transcript, p. 319 (Dunn).

[14] Six purchasers specifically reported that their inventories had increased because OCTG was not available from U.S. and Korean sources.

[15] Hearing transcript, p. 138 (Cura).

demand in the future, primarily driven by the shale plays."[16] The petitioners argued that "the majority of the Chinese inventory out there is material that is the right size to be used in the shale plays, which are really the big focus of our domestic industry right now."[17] They also reported that "***."[18] Moreover, "The *** analysis shows that the shale drilling applications consumed approximately *** percent of total OCTG supply in 2008.[19] Further, in 2009 and 2010, *** projects that the shale drilling applications will *** their proportion of total OCTG consumption to *** percent, respectively. Respondents also provided an estimate of 2009 OCTG consumption in the shale plays. Assuming active drilling by an average of 186 rigs in each of seven shale regions, respondents calculated that as much as 72 percent of current OCTG consumption may be accounted for by the shale plays.[20] ***.[21]

Demand outside the United States

Producers, importers, and purchasers were asked how has demand outside the United States changed since January 1, 2006. Of the responding producers, one producer reported that demand has increased, one reported that demand has decreased, and two reported fluctuating demand. Thirteen importers reported that demand has increased, 9 reported that demand has decreased, 5 reported fluctuating demand, and 1 importer reported no change in demand outside the United States. Similarly, of the 23 responding purchasers, 11 reported fluctuating demand, 7 reported that demand has increased, and 5 reported that demand outside the United States remained the same. While most purchasers reported that demand outside the United States is driven by similar factors as U.S. demand, one purchaser added that development of less industrialized nations has driven much of the OCTG demand, and another purchaser reported that the OCTG industry slowdown that began in the third quarter of 2008 has not been as extensive outside the United States as it has within the United States.

Demand Characteristics

U.S. OCTG demand depends on the number of active rotary or workover rigs drilling for oil and natural gas in the United States that use OCTG as well as the depth of these rigs.[22] As the depth increases, the amount of OCTG needed increases even more, as overall footage increases and larger outer diameter casing is needed at the top of the well.[23] Indeed, witness testimony suggested that OCTG demand in the United States is "best measured by the footage of wells drilled."[24] Data for footage drilled in the United States is presented in Figure II-3.

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[16] Hearing transcript, p. 259 (Dunn).

[17] Hearing transcript, p. 200 (Shoaff).

[18] Maverick's Posthearing brief, Exhibit 1, pp. 6-7.

[19] Ibid.

[20] Respondents' Posthearing brief, exhibit 1, p. 3.

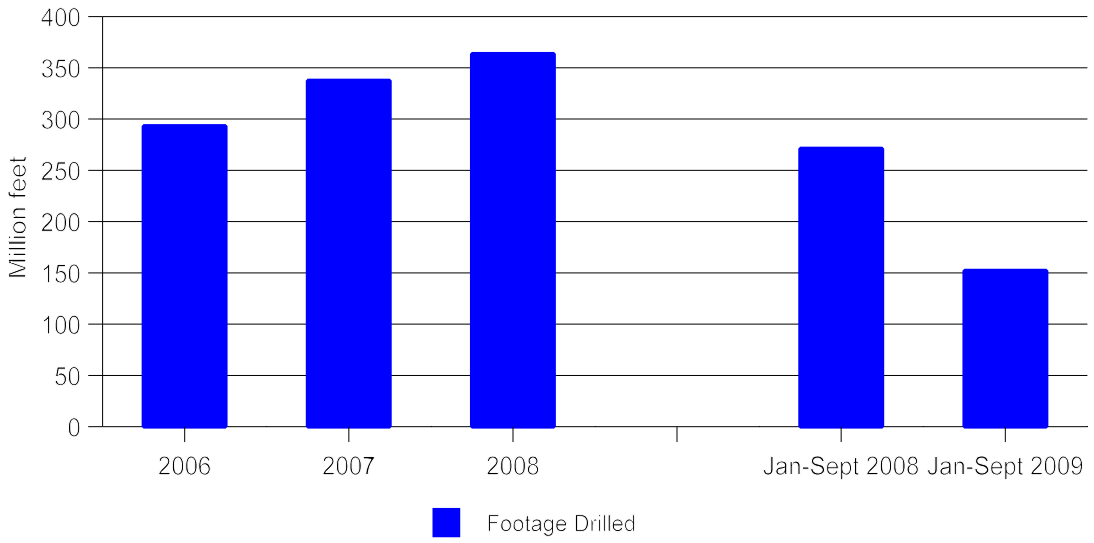
[21] Additional testimony regarding the shale plays appears in the hearing transcript, pp. 260, 328-330, 338-341, and 364-366 (Dunn).

[22] Hearing transcript, pp. 187-188 (Surma).

[23] *Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, China, Mexico, and Spain, Investigations Nos. 701-TA-363 and 364 (Final) and 731-TA-711-717 (Final)*, USITC Publication 2911, August 1995.

[24] Hearing transcript, p. 257 (Dunn).

Figure II-3
U.S. drilling: Footage drilled, 2006-08, January-September 2008, and January-September 2009



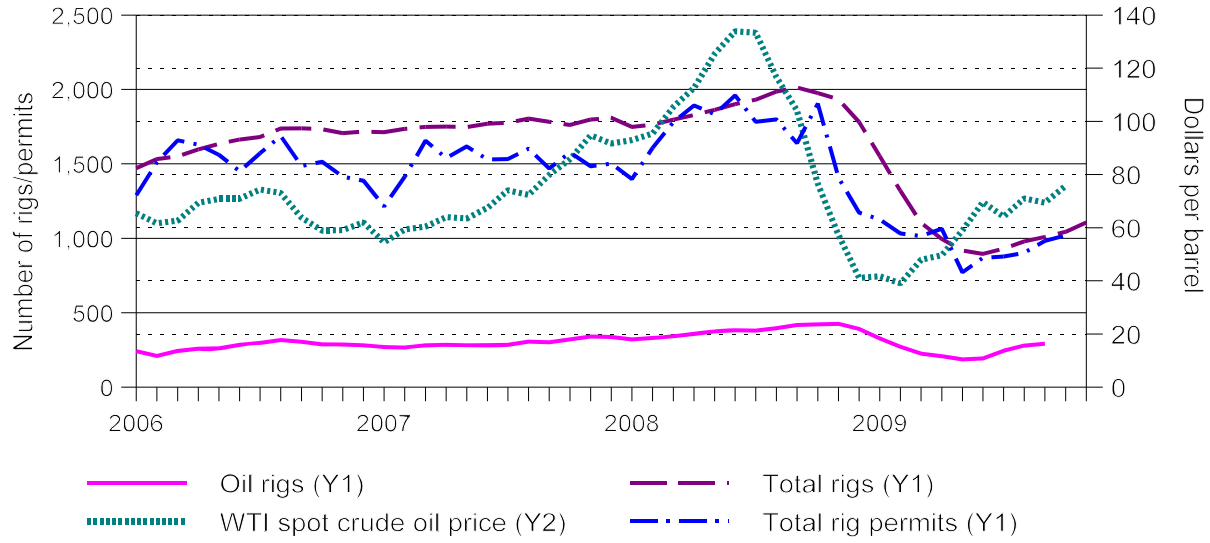
Source: "Drilling and Production Outlook September 2009," Spears & Associates, Inc.

The number of active rotary or workover rigs is a broad indicator of demand for oil and natural gas.[25] Figures II-4 presents changes in monthly average crude oil prices, oil and total rig counts, and total rig permits issued. Figure II-5 presents changes in monthly average natural gas prices, natural gas and total rig counts, and total rig permits issued. [26] Figure II-6 presents actual and predicted prices for crude oil and natural gas.

[25] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigations Nos. 701-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007.

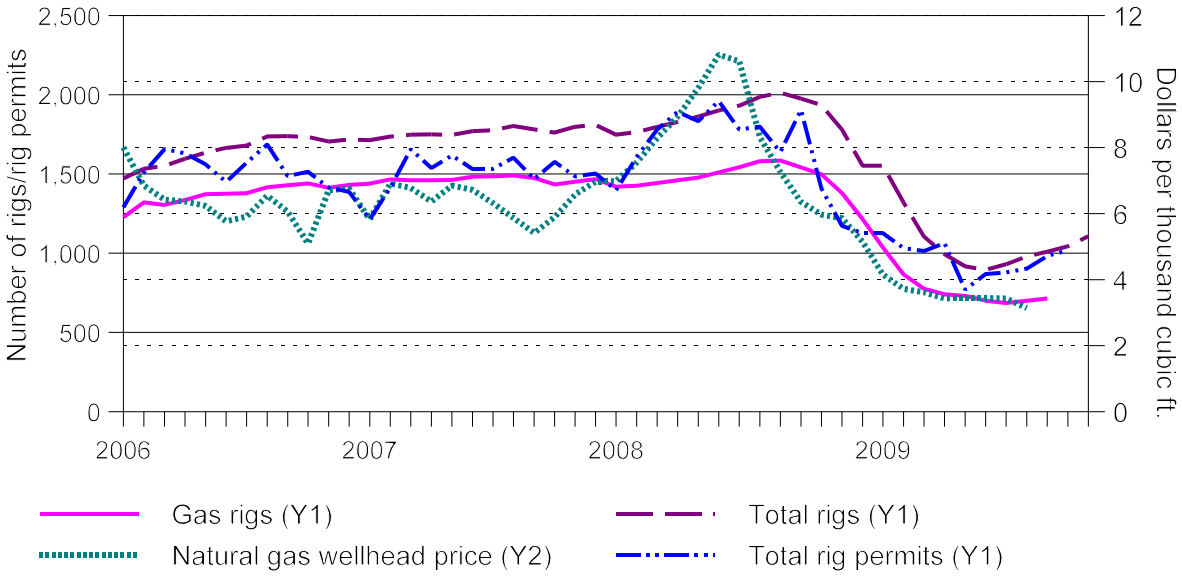
[26] Petitioners argued that "One might claim that in terms of rig count, if you look now, the U.S. is not in such bad shape. Rig count is 1,000; it's going up. By recent historic standards, it might be a bit low, but it's certainly not that low." Hearing transcript, p. 143 (Hausman). Respondents, in contrast, argued that "The two most recent declines in the industry saw rig counts decline by about 500 rigs. The decline in 2009 saw rig counts plunge by more than 1,100 rigs in less than a year. This is a sharp decline, even by the standards of a highly cyclical industry." Hearing transcript, p. 274 (Durling). As of November 2009, the rig count averaged 1,107 rigs, when compared to 2,014 rigs, the highest rig count recorded since January 2006 (Figure II-4).

Figure II-4
Crude oil prices, Baker-Hughes U.S. rig count, and U.S. rig permits, monthly averages, January 2006-September/October/November 2009



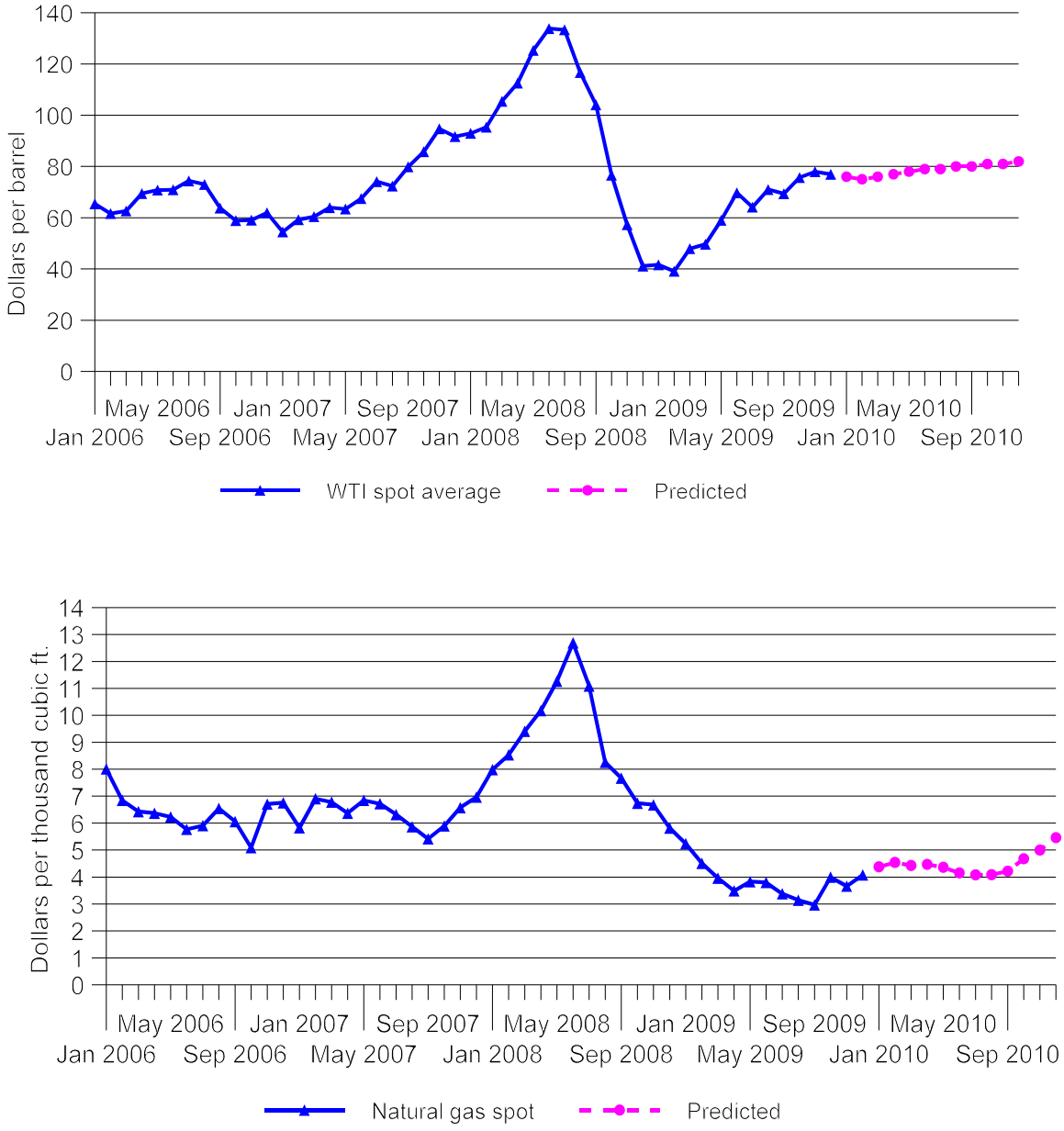
Source: Baker-Hughes Rig Count, Energy Information Administration, Preston, and RigData.

Figure II-5
Natural gas prices, Baker-Hughes U.S. rig count, and U.S. rig permits, monthly averages, January 2006-September/October/November 2009



Source: Baker-Hughes Rig Count, Energy Information Administration, Preston, and RigData.

Figure II-6
Oil and gas: Short term actual and predicted quarterly West Texas Intermediate crude oil prices and composite wellhead spot prices of natural gas, January 2006-December 2010

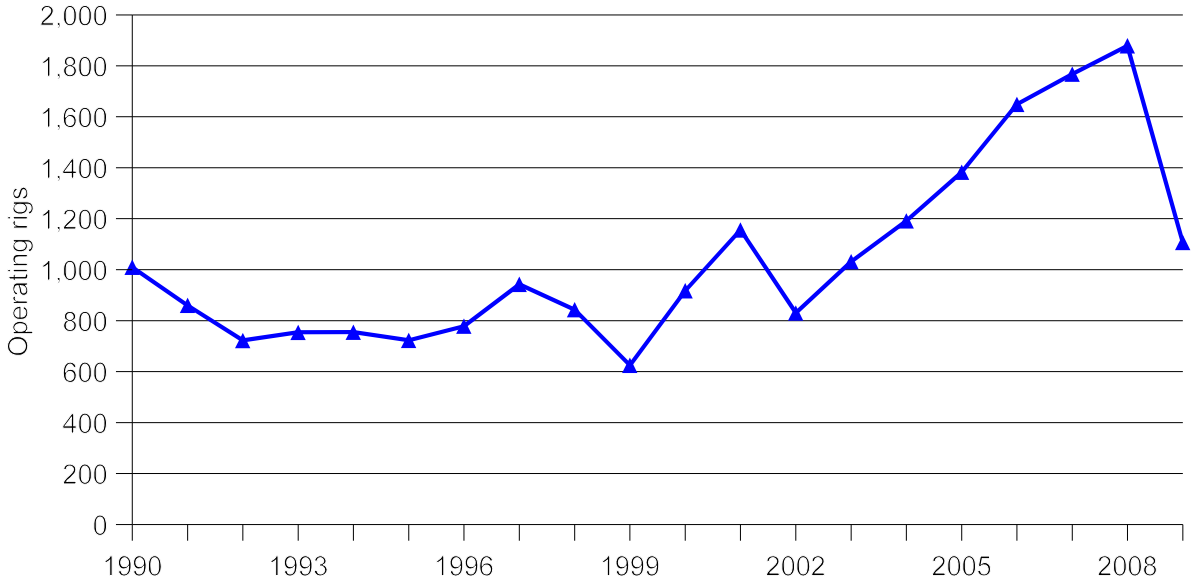


Source: U.S. EIA, http://www.eia.doe.gov/emeu/steo/pub/xls/Fig1.xls and http://www.eia.doe.gov/emeu/steo/pub/xls/Fig4.xls, retrieved December 11, 2009.

Business Cycle

Demand for OCTG tends to fluctuate from period to period and depends on the general business cycle of the OCTG industry.[27] The majority of the U.S. producers, importers, and purchasers that reported that there is a specific cycle to the OCTG industry added that the business cycle is subject to oil and gas prices and, therefore, it depends heavily on the oil and gas rig counts.[28] As shown in figure II-7, oil and gas drilling in the United States has experienced sharp upward and downward adjustments with some frequency over the past two decades.

Figure II-7
OCTG: Operating oil and gas rigs in the United States, January 1990-November 2009



Source: Baker-Hughes Rig Count, accessed December 11, 2009.

Substitute Products

One of 7 responding producers, 3 of 33 responding importers, and 3 of 40 responding purchasers reported that there were substitute products for OCTG. Substitute products mentioned were API line pipe, ASTM A500 rounds, coiled tubing, and expandable casing. Applications for API line pipe include: ***, ***, or ***. Applications for ASTM A500 rounds include ***. The applications for expandable casing are ***. Coiled tubing is used as a ***). One responding producer and two of 31 responding importers indicated that changes in the prices of substitute products have affected the price for OCTG based on responses to the preliminary and final phase questionnaires.

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[27] Both the petitioners and the responded testified that OCTG industry is subject to a business cycle. Hearing transcript, p. 162 (Hausman), p. 276 (Prusa).

[28] In the current down cycle, the active rigs count fell from 2100 to 900 and currently is back to 1,100. The petitioners described this down cycle as being worse than the previous 1991-2001 down cycle. "The big difference between the last down cycle and 2009 is we didn't have three million tons of imports from China come in during the last period." Hearing transcript, pp. 100, 149-150.

Cost Share

Depending on the final end use, OCTG accounts for 8 to 20 percent of the total cost of the final products in which it is used as an input according to five purchasers. One purchaser indicated that the share of *** well costs accounted for by OCTG is 16 percent, the share of a drilled and completed *** shale well costs accounted for by OCTG is 12 percent, and the share of a drilled and completed *** shale well costs accounted for by OCTG is 15 percent.

SUBSTITUTABILITY ISSUES

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

Factors Affecting Purchasing Decisions

Table II-3 summarizes the purchasers' responses concerning the top three factors they reported considering in their purchasing decisions. As indicated in the table, quality was cited most frequently as the primary factor in buying decisions. Price was the most frequently cited second factor, and availability was the most frequently cited third factor.

Table II-3
OCTG: Ranking factors used in purchasing decisions by U.S. purchasers

Factor	Number of firms reporting		
	Number one factor	Number two factor	Number three factor
Quality	21	11	5
Price[1]	11	18	12
Availability[1]	9	9	15
Traditional supplier	2	1	0
Delivery	1	1	7
Contract	1	2	1
Reliability	1	0	1
Other[2]	2	4	6

[1] One firm reported both price and availability for the first factor; both responses are included in the table.
[2] Other factors include meeting terms and demand for first factor, reputation, demand, responsibility, and service for second factor; demand competitiveness, product consistency, warranty, product line and country for third factor.

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

Nineteen of the 43 responding purchasers reported that domestically produced OCTG "always" meets minimum quality specifications (table II-4). Twelve of the 46 responding purchasers reported that the Chinese OCTG "always" meets minimum quality specifications. All purchasers reported that U.S., Korean, German, Canadian, and Japanese OCTG usually or always meets minimum quality specifications, while a number of responding purchasers indicated that Chinese, Indian, and Russian OCTG only sometimes meets minimum quality specifications.

Table II-4
OCTG: Ability to meet purchasers' minimum quality specifications, by source

Country	Number of firms reporting[1]			
	Always	Usually	Sometimes	Never
United States	19	24	0	0
China	12	22	12	0
Korea	7	14	0	0
Germany	8	6	0	0
Canada	6	6	0	0
Japan	5	7	0	0
India	1	4	2	0
Russia	1	4	2	0

[1] Purchasers were asked how often domestically produced or imported OCTG meets minimum quality specifications for their own or their customers' uses. Countries with six or more purchasers responding are reported.

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

Purchasers were also asked to rate the importance of 15 factors in their purchasing decisions (table II-5). Forty-six purchasers rated availability, quality meeting industry standards, and consistency as very important; 44 firms reported price as very important; 43 firms rated delivery time and reliability of supply as very important, and 30 firms reported delivery terms as very important. Other factors listed as very important by more than half the responding purchasers include: delivery terms (30), quality exceeds industry standards (26), technical support/services (25), and discounts offered (25).

Table II-5
OCTG: Importance of purchase factors, as reported by U.S. purchasers

Factor	Very important	Somewhat important	Not important
	Number of firms responding		
Availability	46	2	0
Delivery terms	30	18	0
Delivery time	43	5	0
Discounts offered	25	20	3
Extension of credit	17	20	11
Minimum quantity requirements	7	28	13
Packaging	9	21	18
Price	44	4	0
Product consistency	46	2	0
Product range	15	30	3
Quality meets industry standards	46	2	0
Quality exceeds industry standards	26	19	3
Reliability of supply	43	4	1
Technical support/service	25	22	1
U.S. transportation costs	15	28	5

Note.--Not all purchasers responded for each factor.

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

Purchasers were asked for a country-by-country comparison on the same 15 factors (table II-6). For U.S.-produced product compared to Chinese product, most purchasers reported that the U.S. product was comparable with regard to delivery terms, discounts offered, extension of credit, minimum quantity requirements, packaging, product range, quality meets or exceeds industry standards, and U.S. transportation cost. Most purchasers reported China was superior on price, and inferior on delivery time, reliability of supply, product consistency, and technical support.[29]

[29] For the factor "availability," 11 purchasers reported that U.S. product was superior, 10 reported that U.S. and Chinese products were comparable, and 11 reported that the U.S. product was inferior.

Table II-6
OCTG: Comparisons between U.S.-produced and imported OCTG as reported by U.S. purchasers

Factor	U.S. vs China			U.S. vs nonsubject			China vs Nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	11	10	11	8	25	18	4	13	4
Delivery terms	14	16	3	11	36	4	2	20	1
Delivery time	17	10	6	23	20	8	1	12	9
Discounts offered	6	19	6	9	41	2	4	16	1
Extension of credit	7	23	2	1	50	1	3	14	5
Price[1]	0	4	29	5	27	20	16	4	3
Minimum quantity requirements	7	21	5	6	41	4	0	18	4
Packaging	7	25	0	3	47	2	0	21	1
Product consistency	15	14	2	5	37	9	3	8	12
Product range	13	17	3	16	30	6	7	7	9
Quality meets industry standards	14	18	1	4	42	6	3	7	13
Quality exceeds industry standards	13	16	3	7	35	7	2	12	9
Reliability of supply	15	10	8	10	32	10	4	8	11
Technical support/service	22	8	3	15	30	7	1	9	13
U.S. transportation costs[1]	9	20	2	14	31	1	1	18	0

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

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior. One firm provided more than one answer for a number of comparisons. These responses are not included in the table. Not all purchasers responded for all factors.

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

When comparing U.S.-produced product to nonsubject product, most purchasers reported that the U.S. product was comparable in terms of all factors except delivery time. For delivery time, 23 purchasers reported U.S. product was superior, 20 reported that U.S. and nonsubject were comparable, and 8 reported that U.S. was inferior. In addition, a large number of purchasers reported domestic OCTG to be inferior to OCTG from nonsubject countries in terms of price and availability.[30]

When comparing Chinese product with nonsubject product, most purchasers reported that Chinese and nonsubject product were comparable in terms of availability, delivery terms, delivery time, discounts offered, extension of credit, minimum quantity requirements, packaging, quality exceeds industry standards, and U.S. transportation costs. The majority of purchasers reported that the Chinese product was inferior with regards to product consistency, quality meets industry standards, and technical

[30] A not insubstantial number of purchasers also rated U.S.-produced product as inferior in terms of supply reliability.

support/service.[31] However, the majority of purchasers reported that Chinese prices were superior (i.e. lower) than those for nonsubject product. Regarding product range, nine reported that Chinese product was inferior, seven reported that Chinese and nonsubject product were comparable, and seven reported that Chinese product was superior.

When asked if certain grades/types/sizes of OCTG were available from only a single source, 30 of 47 responding purchasers reported "no." However, of the 17 firms that reported "yes," 8 firms reported that Japanese firms produce chrome tubing, corrosion resistant, high alloy, and high strength products; 3 firms noted that certain grades, and sizes are available from only a limited number of mills; 3 firms noted that U.S. producers have proprietary grades; and 1 firm reported manufacturers have proprietary products. Some firms reported that only the domestic product is threaded with premium threading.

Twenty-six of 47 responding purchasers reported they or their customers had preferences for product from one country over other possible sources. Thirteen of these purchasers reported preferences for U.S. product, 8 firms did not report preferences for product from any other countries, and the remaining 7 firms reported preferences for multiple countries. Other country sources mentioned include: Japan (eight purchasers); Germany (six purchasers); Korea (three purchasers); Austria (three purchasers); and Canada, North America, South America, Russia, Indonesia, Spain, and France were each mentioned by one purchaser. Two firms reported a preference for product not from China and two reported a preference for Chinese product.[32]

Purchasers were also asked if they make purchasing decisions based on the country of origin of OCTG. Twenty-four purchasers indicated "always," 11 indicated "usually," 10 indicated "sometimes," and 1 reported "never."

Thirty-six of 49 responding purchasers reported that they required their suppliers to become certified or pre-qualified for all product, 4 firms reported that it was required but did not report the share covered, and the remaining 8 firms did not require certification or pre-qualification. Thirty of 40 responding purchasers reported requiring API standards certification or pre-qualification and one firm reported that 98 percent or more of its purchases are API certified. Other requirements mentioned include review of documentation, quality control plan, plant inspection, chemistry, material specification, sample evaluation, trial shipment, chemistry, and strength. One purchaser reported that the time required for certification or pre-qualification was 2 to 6 months depending on products.

Eleven of 48 responding purchasers reported that some OCTG had failed certification; nine of these firms specified that it was the Chinese product that had failed certification.

When qualifying a new supplier, most purchasers take into consideration API certification, product quality, reputation of supplier, reliability of delivery, country of origin, third party inspections, and price. Other factors taken into consideration include: availability factors (such as availability of sizes required, product range, and meeting specifications); quality factors (such as ISO certification of source steel, consistency, and low rejects; reputation factors such as reliability, customer acceptance, references from purchasers, past performance, and claim resolution); services (including engineering support and logistic support, factors related to the producer safety program, accurate documentation, country, financial stability and continuity); terms; storage supply; repair; and warranties. Four purchasers reported qualifications times that range from one week to one year.

When purchasers were asked what characteristics they consider when determining the quality of OCTG, 30 of 48 responding purchasers mentioned meeting API standards. In addition, four purchasers mentioned meeting industry standards and seven purchasers reported that quality was determined at least in part by third party inspections. Other factors noted by purchasers that determined quality included: past performance (such as failure rate, rejection rate, history of claims against the product, supplier

[31] In addition, a plurality noted that China was inferior to nonsubject countries with respect to reliability of supply.

[32] Only three of the firms reporting preferences did not elaborate.

reputation, and customer approval); factors related to the producing firm (such as pass mill audit, quality team procedures, mill papers, and ability to handle claims; factors related to the product including clean steel, raw material from quality mill, consistency, consistent chemistry, consistent heat treatment, ability to perform above standard requirement); meeting specifications (such as meeting chemical and mechanical specifications, and meeting grade thickness requirements); size tolerance; coupling and threading provider; time in storage; handling damage; identifiable with legible stenciling together with heat number; traceability; clean OD and ID with new protectors; supplier can change product to meet needs; and product inspection.

Purchasers were asked to describe the lag time between order placement and delivery of OCTG from different sources. When describing the lag time for domestically produced OCTG, 13 of 33 responding firms reported increased lag times in 2008. In addition two firms reported that U.S. product became unavailable in 2008, and a number of other firms reported lead times increased with demand. Of firms reporting time required, nine responding firms reported that, in periods of normal demand, lead times were "as needed" to one month, while 10 purchasers reported that lead times rose to three months or longer.

The reported lag time for OCTG imported from China was longer than for domestically-produced OCTG, and 27 firms reported normal ranges of time that average over 3 months; during periods of high demand, reported time lags of over 4 months were reported by 12 purchasers.

Twenty-five purchasers reported lag time for OCTG imported from nonsubject countries that averaged over 3 months. Five purchasers reported that lead times from nonsubject countries increased from an average of 1.4 months in periods of low demand to an average of 3.2 months in periods of high demand.

Comparisons of Domestic Products and Subject Imports

In order to determine whether U.S.-produced OCTG can generally be used in the same applications as imports from China, as well as imports from Canada, Germany, Japan, Korea, and other countries, U.S. producers, importers, and purchasers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably (table II-7).

All 7 producers, 23 of 28 importers, and 26 of 41 purchasers reported that U.S.-produced OCTG can "always" or "frequently" be used interchangeably with Chinese product. Of these firms, one producer, two importers, and four purchasers stated that OCTG products that were manufactured to meet API certifications were always interchangeable. Similarly, several importers and one purchaser reported that certain grades are always interchangeable. However, some purchasers reported that certain grades are not available in China or that end users refuse to use Chinese material. Moreover, one importer reported that ***.[33] Three importers and five purchasers reported that their customers reported quality issues with OCTG produced in China.

[33] *** importers' questionnaire.

Table II-7
OCTG: U.S. firms' perceived degree of interchangeability of products produced in the United States, China, and nonsubject countries[1]

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of U.S. purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	7	0	0	0	12	11	5	0	14	12	15	0
U.S. vs. Canada	7	0	0	0	12	9	2	0	16	15	4	0
U.S. vs. Germany	7	0	0	0	13	10	2	0	21	12	5	0
U.S. vs. Japan	7	0	0	0	12	10	2	0	22	11	6	0
U.S. vs. Korea	7	0	0	0	10	8	6	0	14	13	10	0
U.S. vs. other countries[2]	6	1	0	0	10	8	5	0	12	5	11	0
China vs. Canada	7	0	0	0	10	10	2	0	14	9	9	0
China vs. Germany	7	0	0	0	10	8	5	0	15	7	11	1
China vs. Japan	7	0	0	0	9	8	5	0	15	7	12	1
China vs. Korea	7	0	0	0	11	8	4	0	13	9	11	0
China vs. other countries[2]	7	0	0	0	9	8	5	0	11	4	10	0

[1] Producers, importers, and purchasers were asked if OCTG produced in the United States and in other countries is used interchangeably.
[2] These countries include: Canada, Germany, Japan, and Korea.

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

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

Producers and importers were also asked to compare U.S.-produced products with imports from China in terms of product differences other than price such as quality, availability, product range, and technical support (table II-8). Six of the seven responding producers and 16 of the 25 responding importers reported that differences other than price between OCTG produced in the United States and China were "sometimes" or "never" a significant factor in their firm's sales of the products; one producer and four importers reported that these differences were "frequently" significant; and five importers reported that the differences were "always" significant.

Table II-8
OCTG: Perceived significance of differences other than price between products produced in the United States, China, and nonsubject countries[1]

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	0	1	0	6	5	4	12	4
U.S. vs. Canada	0	0	1	6	2	3	7	6
U.S. vs. Germany	0	0	2	5	2	3	9	5
U.S. vs. Japan	0	0	2	5	2	4	7	5
U.S. vs. Korea	0	0	2	5	2	3	10	4
U.S. vs. other countries[2]	0	0	2	5	1	4	8	4
China vs. Canada	0	1	1	5	2	5	7	4
China vs. Germany	0	0	2	5	2	5	7	4
China vs. Japan	0	0	2	5	2	6	5	4
China vs. Korea	0	0	2	5	2	5	8	4
China vs. other countries[2]	0	0	2	5	2	5	7	4

[1] Producers and importers were asked if OCTG produced in the United States and in other countries had significant differences other than price.
[2] These countries include: Canada, Germany, Japan, and Korea.

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

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

Comparisons of Domestic Products and Nonsubject Imports

Responding producers nearly unanimously indicated that OCTG produced in the United States and nonsubject countries were "always" used interchangeably (table II-7). The majority of responding importers and responding purchasers indicated that OCTG produced in the United States and nonsubject countries were "always" or "frequently" used interchangeably. Five of the seven responding producers reported that differences other than price were "never" significant between U.S.-produced and nonsubject OCTG (table II-8). The majority of responding importers reported that product differences other than price between U.S.-produced and nonsubject OCTG were no more than "sometimes" significant.

Comparisons of Subject Imports and Nonsubject Imports

All seven responding producers indicated that OCTG produced in China and nonsubject countries were "always" used interchangeably (table II-7), while the majority of responding importers and purchasers indicated that OCTG produced in China and nonsubject countries were at least "frequently" used interchangeably. Five of seven responding producers reported that there were "never" significant differences other than price between Chinese-produced and nonsubject OCTG (table II-8). The majority of responding importers reported that product differences other than price between Chinese-produced and nonsubject OCTG were no more than "sometimes" significant.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Parties were encouraged to provide comments in their prehearing briefs. No parties provided comments.[34]

U.S. Supply Elasticity

The domestic supply elasticity for OCTG measures the sensitivity of the quantity supplied by the U.S. producers to changes in the U.S. market price for OCTG. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the existence of inventories, and the availability of alternate markets for U.S.-produced OCTG. Previous analysis of these factors indicates that the U.S. industry has a moderate ability to increase or decrease shipments to the U.S. market based on unused capacity and production flexibilities. An estimate in the range of 2 to 4 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for OCTG measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of OCTG. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of OCTG in the final cost of end-use products in which it is used. Because of a lack of close, broadly accepted substitutes, it is likely that the aggregate demand for OCTG is moderately inelastic, with suggested values ranging between -0.25 to -0.75.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between domestic and imported OCTG. Product differentiation, in turn, depends upon such factors as quality and condition of sale (availability, delivery, etc.). Based on available information indicating that the domestic and imported products can frequently be used interchangeably, the elasticity of substitution between U.S.-produced OCTG and imported OCTG is likely to be in the range of 3 to 5.

[34] However, as noted earlier, the petitioners contend that the likely available supply of OCTG from China will be very high.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

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 preliminary margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of seven firms that accounted for the large majority of U.S. production of OCTG during 2008.[1]

U.S. PRODUCERS

The Commission issued producer questionnaires to 50 U.S. firms that maintain API certification to manufacture or process products in accordance with specification 5 CT and received completed questionnaire responses from seven firms.[2] With the exception of the largest OCTG producer (U.S. Steel) and the smallest (Wheatland), the responding producers are owned by non-U.S. parent companies. While several firms with API certifications for manufacturing (Paragon Industries, Tex Tube) and processing (Tejas Tubular, Texas Steel Conversion, Tubular Services, LP) casing, tubing, and/or coupling stock provided *** data, the responding U.S. producers are believed to account for the large majority of U.S. OCTG operations and more than *** percent of U.S. mill production. Table III-1 presents a list of current domestic producers of OCTG and each company's position on the petition, type and location of production, related and/or affiliated firms, and share of reported OCTG production in 2008.[3]

[1] Staff requested U.S. producers to provide data for both seamless and welded operations. Responding firms with seamless pipe operations are as follows: Evraz Rocky Mountain Steel; TMK IPSCO; United States Steel; V&M Star; and V&M TCA. Responding firms with welded pipe operations are as follows: United States Steel; Maverick Tube; TMK IPSCO; and Wheatland Tube.

[2] Two firms, Boomerang Tube LLC and Northwest Pipe Company, began investing in OCTG production facilities in 2008 with plans to produce in 2009-10. Nineteen firms responded that they did not produce OCTG, 12 formerly separate operations are now owned by one of the seven responding firms, and the remainder did not respond.

[3] V&M TCA processes unfinished OCTG ***. V&M TCA's processing of U.S. origin OCTG represents a double-count of production and shipments; however, because of the company's ***, staff does not believe the double-count to be meaningful.

Table III-1
OCTG: U.S. mills and processors, locations, types of production, shares of reported 2008 production, parent companies, and position on the petition

Firm	Production locations	Type of production	Share of reported 2008 production (*percent*)	Parent company/related foreign producer	Position on the petition
Evraz Rocky Mountain Steel[1]	Pueblo, CO	seamless	***	***% Evraz Inc. NA and ***% Nippon Steel Corp. (Japan)	Support Petitioner
Maverick[3]	Conroe, TX; Blytheville, AR; Hickman, AR; Houston, TX	welded	***	***% Tenaris S.A (Luxembourg) and ***% Siderca SAIC (Argentina)	Support Petitioner
TMK IPSCO Enterprises[2]	Ambridge, PA; Baytown, TX; Blytheville, AR; Camanche, IA; Catoosa, OK; Koppel, PA Newport, KY; Wilder, KY	seamless welded	***	***% OAO TMK (Russia)	Support Petitioner
U.S. Steel[4]	Bellville, TX; Fairfield, AL; Lone Star, TX; Lorain, OH; McKeesport, PA	seamless welded	***	None	Support Petitioner
V&M Star[5]	Youngstown, OH; Houston, TX	seamless	***	***% V&M Tubes (France) ***% Sumitomo (Japan)	Support Petitioner
V&M TCA[6]	Muskogee, OK	seamless	***	***% V&M Tubes (France) ***% Sumitomo (Japan)	Support Petitioner
Wheatland[7]	Little Rock, AR; Sharon, PA; Warren, OH; Wheatland, PA	welded	***	***% DBO Holdings	Support Petitioner

Table continued on next page.

Table III-1--*Continued*
OCTG: U.S. mills and processors, types of production, locations, shares of reported 2008 production, parent companies, and position on the petition

[1] ***.
[2] ***. TMK IPSCO is the North American division of Russia's OAO TMK, which claims to be the largest pipe-maker in Russia and among the top three in the world.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.

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

Each firm was asked if it experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of OCTG since January 1, 2006.[4] In their questionnaire responses, U.S. producers focused on layoffs and shutdowns in 2009 which they generally attributed to U.S. imports from China and the decline OCTG demand.[5] Table III-2 presents industry events during 2006-2009.

Table III-2
OCTG: Important industry events, 2006-09

Year	Company	Description of event (merger, shutdown, bankruptcy, change in production or capacity level)
2006	IPSCO (Canada)	**Merger**: IPSCO completes merger with NS Steel (Newport, KY) in December 2006.
	Lone Star (Houston)	**Joint ventures**: Lone Star forms a joint venture with Grupo Peixoto de Castro (Brazil) to produce finished welded oilfield tubular products in Brazil. **Acquisition**: Lone Star acquires a 50-percent ownership stake in Apolo Mecanica e Estruturas LTDA, an oilfield tubular products facility in southeastern Brazil for approximately $42 million.
	Tenaris (Luxembourg)	**Merger**: Tenaris, a producer of seamless OCTG, purchases Maverick in October 2006 ($3.2 billion).
	Boomerang Tube (Chesterfield, MO)	**New Investment**: Company announces plans to raise more than $100 million to install a new OCTG mill in Liberty, TX.

Table continued on next page.

[4] The Commission gave notice in the preliminary phase of these investigations that "(W)e will gather additional information on the relationship between the consolidation of the domestic industry, its cost structure, and its ability to respond to changes in demand. *Certain Oil Country Tubular Goods from China, Investigation Nos. 701-TA-463 and 731-TA-1159 (Preliminary)*, USITC Publication 4081, June 2009, p.15 n.67. U.S. producers' responses to this question (Producers' questionnaire item II-2) are reflected in Part II and appendixes E and G.

[5] For example, Evraz reported, "***."

Table III-2--*Continued*
OCTG: Important industry events, 2006-09

Year	Company	Description of event (merger, shutdown, bankruptcy, change in production or capacity level)
2007	Rocky Mountain (Oregon Steel)	**Acquisition**: Evraz Group S.A.(Russia) purchases Oregon Steel Mills Inc. (Then-owner of Rocky Mountain Steel Mill) for ($2.3 billion).
	Tenaris	**Acquisition**: Tenaris purchases Houston-based Hydril Co. ($2 billion).
	U.S. Steel	**Acquisition**: U.S. Steel purchases Lone Star ($2.1 billion).
	IPSCO	**Upgrade:** IPSCO Inc. constructs a $*** OCTG heat treat facility adjacent to its Blytheville, Arkansas pipe mill. Commercial production begins in the third quarter. **Acquisition:** SSAB (Sweden) purchases IPSCO for approximately $7.7 billion.
2008	Evraz Group SA and TMK (Russia)	**Acquisition**: Evraz Group SA and TMK (Russia) purchase SSAB's IPSCO tubular facilities in North America for $4 billion. TMK obtains all of IPSCO's U.S. tubular operations and 51 percent of NS Group for approximately $1.2 billion.
	Northwest Pipe Co.	**Plant recommission:** Northwest's Bossier City, LA-facility is being recommissioned to produce OCTG but has been delayed due to market conditions. Products are expected to range from 2.375 to 7-inch outside diameter.
	Wheatland (John Maneely/Carlyle)	**Acquisition canceled**: Russian steel maker OJSC Novolipetsk Steel cancels efforts to acquire tube and pipe producer John Maneely (parent company of Wheatland Tube). John Maneely is a subsidiary of the Carlyle Group (a Washington-based investment firm).
	V&M Star (Youngstown)	**Capacity increase**: V&M Star (which acquired the North Star Steel facilities in 2002) announced plans to invest $639 million into its Youngstown facility to upgrade its OCTG operations. In addition, the state of Ohio will use $20 million from the federal economic stimulus funding to relocate the rail lines near the current property of V&M in Youngstown.
	TMK IPSCO (Houston)	**Investment:** TMK-IPSCO completes a new automated heat treatment facility at Baytown Works (Baytown, TX) for OCTG sizes 2.375 inches to 7.625 inches. Capacity is 85,000 tons.
2009	U.S. Steel	**Plant idling**: The large OD seamless pipe mill restarted in March after several weeks of idling. The Lone Star facility (capacity of *** tons of OCTG, line pipe, and structural pipe) was temporarily idled in February, leading to the layoff of 892 union workers and 400 salaried employees (AMM, Feb. 16). At the end of the first quarter, other OCTG facilities in Bellville (TX), and Lorain (OH) and related flat-rolled operations in Granite City (IL) were idled. The seamless facility in Fairfield (AL) was scaled down to one week per month.[1]
	Tianjin Pipe Group Corp. (China)	**New investment**: Wuxi (an affiliate of WSP Holdings Limited, China) plans to build a $35-million facility in Houston. WSP is China's third largest OCTG producer. The finishing line will begin operations by the end of 2009 but the heat-treating facility is delayed because of unfavorable market conditions.

Table continued on next page.

Table III-2--*Continued*
OCTG: Important industry events, 2006-09

Year	Company	Description of event (merger, shutdown, bankruptcy, change in production or capacity level)
2009	Wuxi Seamless Oil Pipe Co.	**New investment**: Wuxi (an affiliate of WSP Holdings Limited, China) plans to build a 120,000-ton, $35-million facility in Houston. WSP is China's third largest OCTG producer. The finishing line will begin operations by the end of 2009 but the heat-treating (quenching and tempering) facility is delayed because of unfavorable market conditions.
	V&M Star (Youngstown)	**Capacity increase**: V&M Star (a unit of Houston-based Vallourec & Mannesmann Tubes Corp. which acquired the North Star Steel facilities in 2002) is considering a $600-million to $1-billion expansion of its mini-mill to increase the amount and type of tubular products it manufactures. The company hopes to upgrade and expand its melt shop and billet casting operations to lift production rates and increase annual output by about 70 percent to 1.4 million tons of liquid steel from 830,000 tons. V&M Star employs about 465 workers and the expansion would result in the creation of at least 300 additional jobs. The state of Ohio will use $20 million from the federal economic stimulus funding to relocate the rail lines near the current property of V&M in Youngstown. The City of Youngstown has purchased land for the expansion and V&M will reimburse the City. City officials have traveled to Europe to meet with V&M officials to discuss details of the expansion.
	V&M and Sumitomo Metal Industries (SMI)	**Joint venture**: V&M and SMI agreed to (1) purchase $120 million worth of shares in each other from the stock market and other sources by the end of this year; and (2) merge their U.S. joint venture with a Vallourec unit in the United States to strengthen their relationship in the oil country tubular OCTG) goods segment. The V&M and SMI joint venture is expected to become the largest seamless producer in the United States.
	Northwest Pipe Company (NW) (Bossier City, LA)	**Plant recommission:** Northwest's Bossier City, LA-facility is being recommissioned to produce OCTG with the relocation of equipment from a mill in Portland, OR. Products are expected to range from 2.375 to 7-inch outside diameters (O.D.). Production is now expected in 2010 and the facility will include end processing and inspection.
	Boomerang Tube (Chesterfield, MO)	**Investment revision**: ***

[1] Hearing transcript, p. 84 (Mr. Surma).

Sources: *American Metal Market*, several issues; Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly,* several issues*;* Metal Bulletin Research, *Welded Steel Tube and Pipe Monthly, several issues;* Preston Publishing Company, several issues; SBB Daily Briefing, Global Edition - May 4, 2007: "SSAB to Purchase IPSCO for $7.7bn Cash;" Press Releases from Strasburger & Price, LLP: "Lone Star Technologies, Inc. Completes Purchase of Bellville Tube Corporation's Assets," and "Strasburger Represents Lone Star Technologies in Two Strategic Announcements;" companies' financial reports; and staff telephone interviews.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION[6]

U.S. producers' capacity, production, and capacity utilization data for OCTG are presented in table III-3.[7] The overall growth in production between 2006 and 2008 reflected increased production of seamless, rather than welded, OCTG, most notably by ***.[8]

Table III-3
OCTG: U.S. capacity, production, and capacity utilization, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September--	
	2006	2007	2008	2008	2009
Capacity (*short tons*)	4,294,830	4,238,435	4,469,087	3,354,491	3,439,040
Production (*short tons*)	2,943,048	2,508,029	3,081,518	2,267,478	606,651
Capacity utilization (*percent*)	68.5	59.2	69.0	67.6	17.6

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

Producers were asked to describe the constraint(s) that set the limit(s) on their production capacity and ability to shift production capacity between products (producers's questionnaire II-4).[9] Evraz reported "***." IPSCO reported that "***." Maverick reported its main constraint on production and capacity was ***. U.S. Steel reported "***." V&M Star reported its capacity is "***." V&M TCA reported that "***." Wheatland reported "***."

U.S. OCTG producers were asked for their capacity, production, and capacity utilization data, by welded and seamless tubular products, for all of their U.S. tubular producing establishments as presented in table III-4. Responding firms reported that 55 percent of their total tubular capacity was welded and 45 percent seamless during 2006-08. In 2008, 70 percent of the welded and seamless tubular production reported was oil/gas well casing and tubing, and/or coupling stock and 25 percent was standard/line/pressure pipe (the remainder was drill pipe, mechanical tubing, and other tubing).

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[6] Changes in capacity and production figures between the preliminary and final phases of these investigations are due to the inclusion of coupling stock that was not reported on *** questionnaire responses in the preliminary phase.

[7] While U.S. mills reported available rolling capacity throughout the period for which data were collected, the availability of heat treatment posed an additional constraint for products such as seamless alloy steel OCTG that require additional processing. According to their questionnaires and supplemental responses, Evraz Rocky Mountain Steel ***. *** had available capacity in 2009, as did ***, which also reported that its heat-treat capacity exceeded its seamless OCTG production by *** short tons in 2008. *See* submission of May 15, 2009, on behalf of ***.

[8] U.S. producers reported lower production levels in January-September 2009 than in January-September 2008, reflecting the idling of several facilities (including the indefinite idling of two welded pipe facilities by U.S. Steel). U.S. producers did not, however, reduce their reported capacity levels during this period.

[9] In addition to being asked to describe the constraint(s) that set the limit(s) on production capacity, U.S. producers were also requested to indicate the challenges faced by each firm in meeting rising demand for OCTG, and explain the nature of any excess capacity reported during periods of rising demand. Initially Maverick (a producer that reported ***) provided a detailed response to the Commission's questions (indicating that it had ***). Additional follow-up responses appear in appendix E.

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of OCTG are presented in table III-5. U.S. shipments increased by 6.5 percent, by quantity, between 2006 and 2008, largely reflecting greater shipment volumes of seamless OCTG. U.S. shipments were 69.6 percent lower in the first three quarters of 2009 as compared with the first three quarters of 2008, reflecting diminished shipments of seamless and, to an even greater extent, welded OCTG. Average unit values did not shift markedly between 2006 and 2007, but increased noticeably in 2008, and were substantially higher in the January-September 2009 than in the January-September 2008.[10] While Maverick, TMK IPSCO, U.S. Steel, and V&M Star all reported exports, export shipments never exceeded *** percent of total shipments.

[10] The higher average unit values in January-September 2009 reflect increases in both seamless and welded OCTG average unit values over the comparable period in 2008, as well as a greater portion of sales of seamless OCTG (with higher average unit values than welded OCTG).

Table III-4
OCTG: U.S. capacity, production, and capacity utilization of welded and seamless tubular products, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September--	
	2006	2007	2008	2008	2009
			Capacity (*short tons*)		
Welded tubular products	3,245,326	3,167,112	3,186,054	2,389,291	2,364,131
Seamless tubular products	2,604,250	2,610,250	2,634,750	1,976,060	2,059,310
Total	5,849,576	5,777,362	5,820,804	4,365,351	4,423,441
			Production (*short tons*)		
Welded					
Oil/gas well casing	***	***	***	***	***
Oil/gas well tubing	***	***	***	***	***
Standard, line and pressure pipe	645,454	737,185	718,230	618,690	334,375
Pressure tubing	***	***	***	***	***
Mechanical tubing	***	***	***	***	***
Other tubing	***	***	***	***	***
Total welded	2,272,556	2,092,469	2,339,253	1,845,973	522,713
Seamless					
Oil/gas well casing	***	***	***	***	***
Oil/gas well tubing	***	***	***	***	***
OCTG coupling stock	***	***	***	***	***
Drill pipe	***	***	***	***	***
Standard, line and pressure pipe	457,700	322,353	365,327	278,654	71,108
Pressure tubing	***	***	***	***	***
Mechanical tubing	***	***	***	***	***
Other tubing	***	***	***	***	***
Total seamless	1,960,347	1,668,294	2,025,552	1,495,535	511,489
Total welded & seamless	4,232,903	3,760,763	4,364,805	3,341,508	1,034,202
			Capacity utilization (*percent*)		
Welded tubular products	70.0	66.1	73.4	77.3	22.1
Seamless tubular products	75.3	63.9	76.9	75.7	24.8
Average	72.4	65.1	75.0	76.5	23.4

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

Table III-5
OCTG: U.S. producers' shipments, by types, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September--	
	2006	2007	2008	2008	2009
Quantity (*short tons*)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	2,805,457	2,381,634	2,986,480	2,225,983	677,514
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Value (*1,000 dollars*)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	4,166,873	3,304,828	6,184,818	4,079,523	1,383,423
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Unit value (*per short ton*)					
Commercial shipments	$***	$***	$***	$***	$***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	1,485	1,388	2,071	1,833	2,042
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Share of quantity (*percent*)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

[1] Not applicable.

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

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

ORDER BOOKS

Tables III-6 and III-7 present reported quantity of OCTG, seamless and welded, entered in the reporting firms' "order books" at the close of specified quarters and months. Order books for welded OCTG peaked in March 2008, while seamless OCTG order books did not peak until October 2008. Reported lead times ranged from 7 to 90 days with the shortest times registered by all producers on September 30, 2009. The longest periods were the June 30 periods of 2006 and 2008.

Table III-6
OCTG: OCTG entered into order books, March 31, 2006 - September 30, 2009

Period	Seamless	Welded	Total
		Quantity (*short tons*)	
2006			
March 31	***	***	460,261
June 30	***	***	434,155
September 30	***	***	389,895
December 31	***	***	326,498
2007			
March 31	***	***	323,936
June 30	***	***	323,155
September 30	***	***	436,292
December 31	***	***	424,101
2008			
March 31	***	***	668,578
June 30	***	***	655,155
September 30	***	***	612,095
December 31	***	***	275,697
2009			
March 31	***	***	58,504
June 30	***	***	67,009
September 30	***	***	136,657

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

Table III-7
OCTG: OCTG entered into order books, monthly, January 2008 - September 2009

Period	Seamless	Welded	Total
		Quantity (*short tons*)	
2008			
January	***	***	511,300
February	***	***	538,218
March	***	***	668,578
April	***	***	618,536
May	***	***	635,634
June	***	***	655,155
July	***	***	653,631
August	***	***	670,248
September	***	***	612,095
October	***	***	557,822
November	***	***	424,665
December	***	***	275,697
2009			
January	***	***	170,426
February	***	***	106,616
March	***	***	58,504
April	***	***	48,234
May	***	***	47,798
June	***	***	67,009
July	***	***	97,673
August	***	***	120,176
September	***	***	136,657

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

U.S. PRODUCERS' INVENTORIES

Table III-8, which presents end-of-period inventories for OCTG, indicates that producers' inventories peaked in absolute terms in 2007. However, by September 2009, producers' inventories were equivalent to approximately one-third of the diminished annualized production and U.S. shipment levels, reflecting in particular higher levels of welded OCTG inventories relative to production and shipments.

Table III-8
OCTG: U.S. producers' end-of-period inventories, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September--	
	2006	2007	2008	2008	2009
Inventories (*short tons*)	374,234	430,873	389,263	380,471	288,337
Ratio to production (*percent*)	12.7	17.2	12.6	12.6	35.6
Ratio to U.S. shipments (*percent*)	13.3	18.1	13.0	12.8	31.9
Ratio to total shipments (*percent*)	***	***	***	***	***

Note.–Partial-year ratios are based on annualized production and shipments.

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of OCTG are presented in table III-9.

Table III-9
OCTG: U.S. producers' imports and purchases, 2006-08, January-September 2008, and January-September 2009

* * * * * * *

Table III-9
OCTG: U.S. producers' imports and purchases, 2006-08, January-September 2008, and January-September 2009

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for OCTG are presented in table III-10. At the Commission's hearing Mr. John Surma, Chairman and Chief Executive Officer of the United States Steel Corporation and Mr. Leo Gerard, President of the United Steel Workers, testified that between the end of 2008 and continuing into 2009 several OCTG facilities were idled laying off approximately 2,500 OCTG workers and many others had their working hours and wages reduced.[11]

Table III-10
OCTG: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September--	
	2006	2007	2008	2008	2009
Production and related workers	5,448	5,396	5,819	5,497	3,398
Hours worked (*1,000*)	11,953	11,484	12,871	9,119	4,528
Wages paid (*$1,000*)	297,955	279,780	339,737	254,689	146,284
Hourly wages	$24.93	$24.36	$26.40	$27.93	$32.31
Productivity (*short tons per 1,000 hours*)	246.2	218.4	239.4	248.7	134.0
Unit labor costs (*per short ton*)	$101.24	$111.55	$110.25	$112.32	$241.13

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

[11] Hearing transcript, pp. 84 (Surma) and 89 (Gerard). Mr. Gerard stated that workers in this industry were laid off at many facilities including Lone Star, Bellville, and Conroe (Texas); Fairfield (Alabama); Lorain, Youngstown, and Warren (Ohio); Wheatland, Koppel, and Ambridge (Pennsylvania); Wilder (Kentucky); Camanche (Iowa); Blytheville and Hickman (Arkansas); and Pueblo (Colorado).

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

Importer questionnaires were sent to 156 firms believed to be importers of subject OCTG, as well as to all U.S. producers of OCTG.[1] Usable questionnaire responses were received from 47 companies,[2] representing 77.9 percent of total imports from China and 59.8 percent of all other imports in 2008, under HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.[3] Table IV-1 lists all responding U.S. importers of OCTG from China and other sources, their U.S. headquarters, and their shares of U.S. imports, in 2008.

Table IV-1
OCTG: U.S. importers, source(s) of imports, U.S. headquarters, and shares of imports in 2008

Firm	Headquarters	Source(s) of imports	Share of imports *(percent)*		
			China	Other	Total
America Piping Products	Chesterfield, MO	***	***	***	***
Atlas Tubular	Robstown, TX	***	***	***	***
Aztec[1]	Crowley, TX	***	***	***	***
Bell Supply Co LLP	Gainesville, TX	***	***	***	***
Benteler Steel & Tube[2]	Houston, TX	***	***	***	***
Champions Pipe & Supply[3]	Houston, TX	***	***	***	***
Coutinho & Ferrostaal[4]	Houston, TX	***	***	***	***
Commercial Metals[5]	Irving, TX	***	***	***	***
Conestoga Supply[1]	Houston, TX	***	***	***	***
Corus International Trading[6]	Schaumburg, IL	***	***	***	***
Cressman Tubular Products[1]	Addison, TX	***	***	***	***
The Crispin Co.	Houston, TX	***	***	***	***
DSL Corp.	Houston, TX	***	***	***	***
Energy Tubulars[1]	Seal Beach, CA	***	***	***	***
Fortis Alliance	Houston, TX	***	***	***	***

Table continued on next page.

[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), were believed to import OCTG.

[2] Two firms provided questionnaire responses that did not have useable trade data: ***. Ten firms responded in the preliminary phase of these investigations but did not in the final phase. The responses of these companies, which accounted for *** percent of 2008 imports from China, are used for full-year (2006-08) data.

[3] The relevant statistical reporting numbers appear in Part I of this report.

Table IV-1--*Continued*
OCTG: U.S. importers, source(s) of imports, U.S. headquarters, and shares of imports in 2008

Firm	Headquarters	Source(s) of imports	Share of imports *(percent)*		
			China	Other	Total
Gulf Coast Tubulars[1]	Austin, TX	***	***	***	***
Houston OCTG Group[7]	Houston, TX	***	***	***	***
Husteel USA, Inc.	Anaheim, CA	***	***	***	***
Hyosung America, Inc.	Brea, CA	***	***	***	***
Jilus/Tubular Synergy Group[8]	Fort Lee, NJ; Addison, TX	***	***	***	***
Kanematsu USA, Inc.	New York, NY	***	***	***	***
KPC Imports[1]; [9]	Santa Fe Springs, CA	***	***	***	***
MacSteel International[10]	White Plains, NY	***	***	***	***
Marubeni-Itochu[11]	Houston, TX	***	***	***	***
MC Tubular[12]	Houston, TX	***	***	***	***
Nexgen Metals[13]	Torrance, CA	***	***	***	***
Okaya (USA), Inc.[14]	Houston, TX	***	***	***	***
Oxbow Steel International[1]	Pleasant Hill, CA	***	***	***	***
PacRim Pipes[1]	Issaquah, WA	***	***	***	***
PanMeridian Tubular[15]	Houston, TX	***	***	***	***
S B International[16]	Dallas, TX	***	***	***	***
Seba Pipe, Ltd.	Houston, TX	***	***	***	***
Shengli Highland[17]	Houston, TX	***	***	***	***
SNT Services, Inc.	Houston, TX	***	***	***	***
Standard Tube Co.[1]	Houston, TX	***	***	***	***
Sumitomo Corp.	Houston, TX	***	***	***	***
Tenaris Global/Maverick[18]	Houston, TX	***	***	***	***
TMK IPSCO[19]	Downers Grove, IL	***	***	***	***
Toyota Tsusho	Houston, TX	***	***	***	***
TPCO Enterprise, Inc.[20]	Houston, TX	***	***	***	***
United Casing[1]	Houston, TX	***	***	***	***
U.S. Steel[21]	Pittsburgh, PA	***	***	***	***

Table continued on next page.

Table IV-1--*Continued*
OCTG: U.S. importers, source(s) of imports, U.S. headquarters, and shares of imports in 2008

Firm	Headquarters	Source(s) of imports	Share of imports *(percent)*		
			China	Other	Total
Victor Development[22]	Houston, TX	***	***	***	***
Voest-Alpine Tubular[23]	Houston, TX	***	***	***	***
V&M Star, LP & V&M TCA[24]	Houston, TX	***	***	***	***
Total - Commerce			77.9	59.8	70.5

[1] Supplied data in the preliminary phase of these investigations but did not respond in the final phase.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.
[8] "***."
[9] ***.
[10] ***.
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[18] ***.
[19] ***.
[20] ***.
[21] ***.
[22] ***.
[23] ***.
[24] ***.

Note.–Because of rounding, figures may not add to the totals shown. U.S. imports from China, nonsubject countries, and total imports each do not add up to 100 percent because questionnaire coverage of U.S. imports from subject and nonsubject countries is incomplete.

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

U.S. IMPORTS

Table IV-2 presents official Commerce data for U.S. imports of OCTG from China and all other sources.[4] The quantity of U.S. imports of seamless and welded OCTG from China tripled between 2006 to 2008 while most of the increase from nonsubject countries consisted of seamless OCTG. U.S. imports of OCTG from China and from nonsubject sources were lower in January-September 2009 than in January-September 2008, although this primarily reflects import levels after May 2009 (China) or after March 2009 (nonsubject sources).

The value of U.S. imports of seamless and welded OCTG followed the same trend during 2006-08 as average unit values increased. Higher average unit values in January-September 2009 offset, in whole or in part, the decline in U.S. import quantities, resulting in less pronounced movements in the

[4] HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.

value of U.S. imports. The average unit values of U.S. imports from China were lower than those of U.S. imports from nonsubject countries for both seamless and welded OCTG, as well as in the aggregate.

Table IV-3 presents U.S. imports from major sources and table IV-4 presents monthly imports of OCTG. Houston, TX, was the port of entry for 85.7 percent of 2008 OCTG imports from China while Los Angles, CA, accounted for 10.6 percent; nonsubject imports also entered the United States primarily through Texas and California ports.

Table IV-2
OCTG: U.S. imports, by sources, 2006-08, January-September 2008, and January-September 2009

Source	Calendar year			January-September	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
China	725,027	860,711	2,197,556	1,232,826	739,659
Nonsubject	1,204,575	864,612	1,534,713	1,006,389	583,130
Total	1,929,601	1,725,323	3,732,269	2,239,214	1,322,789
			Value (*1,000 dollars*)[1]		
China	681,292	811,542	2,805,206	1,377,072	1,105,138
Nonsubject	1,598,489	1,089,955	2,572,888	1,461,709	1,192,040
Total	2,279,781	1,901,497	5,378,094	2,838,781	2,297,177
			Unit value (*per short ton*)[1]		
China	$940	$943	$1,277	$1,117	$1,494
Nonsubject	1,327	1,261	1,676	1,452	2,044
Average	1,181	1,102	1,441	1,268	1,737
			Share of quantity (*percent*)		
China	37.6	49.9	58.9	55.1	55.9
Nonsubject	62.4	50.1	41.1	44.9	44.1
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	29.9	42.7	52.2	48.5	48.1
Nonsubject	70.1	57.3	47.8	51.5	51.9
Total	100.0	100.0	100.0	100.0	100.0

[1] Landed, U.S. port of entry, duty-paid.

Note.--Coupling stock enters the United States in low volumes under HTS subheadings covering an assortment of tubular products, and so is not included in import data compiled from official Commerce statistics. Reported Chinese imports of coupling stock ***.

Source: Compiled from official Commerce statistics for HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.

Table IV-3
OCTG: U.S. imports, by sources, 2006-08, January-September 2008, and January-September 2009

Country	Calendar year			January - September	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
China[1]	725,027	860,711	2,197,556	1,232,826	739,659
Korea[2]	201,142	210,421	360,430	276,759	116,786
Canada[3]	146,355	153,193	225,889	173,707	45,990
Germany[1]	122,275	81,535	139,030	89,871	60,271
Japan[1]	72,020	26,433	103,338	43,156	72,669
Austria[1]	84,093	62,642	93,700	70,099	43,083
Colombia[2]	70,451	77,882	93,503	71,922	10,835
India[1]	34,132	23,785	90,887	50,579	16,907
Argentina[1]	2,025	5,119	70,324	23,596	22,314
Russia[3]	97,478	28,713	62,770	28,288	46,783
Mexico[1]	428	7,903	60,890	38,956	33,092
All other[3]	374,174	186,985	233,954	139,455	114,400
Total	1,929,602	1,725,323	3,732,269	2,239,215	1,322,789
			Value (*$1,000*)		
China[1]	681,292	811,542	2,805,206	1,377,072	1,105,138
Korea[2]	168,958	177,902	412,497	283,516	132,650
Canada[3]	201,173	206,401	395,162	270,541	97,946
Germany[1]	179,014	125,565	261,117	152,550	143,297
Japan[1]	301,352	104,617	207,690	87,366	185,222
Austria[1]	142,940	101,381	184,903	124,944	99,533
Colombia[2]	91,451	99,667	176,515	124,692	17,621
India[1]	44,389	28,100	154,293	68,988	30,794
Argentina[1]	1,740	9,346	159,821	40,662	59,197
Russia[3]	90,978	25,974	93,792	28,922	82,662
Mexico[1]	173	11,838	132,572	70,990	98,943
All other[3]	376,320	199,165	394,526	208,537	244,174
Total	2,279,781	1,901,497	5,378,094	2,838,781	2,297,178

Table continued on next page.

Table IV-3--*Continued*
OCTG: U.S. imports, by sources, 2006-08, January-September 2008, and January-September 2009

Country	Calendar year			January - September	
	2006	2007	2008	2008	2009
	Unit value (*dollars per short ton)*				
China[1]	$940	$943	$1,277	$1,117	$1,494
Korea[2]	840	845	1,144	1,024	1,136
Canada[3]	1,375	1,347	1,749	1,557	2,130
Germany[1]	1,464	1,540	1,878	1,697	2,378
Japan[1]	4,184	3,958	2,010	2,024	2,549
Austria[1]	1,700	1,618	1,973	1,782	2,310
Colombia[2]	1,298	1,280	1,888	1,734	1,626
India[1]	1,300	1,181	1,698	1,364	1,821
Argentina[1]	859	1,826	2,273	1,723	2,653
Russia[3]	933	905	1,494	1,022	1,767
Mexico[1]	405	1,498	2,177	1,822	2,990
All other[3]	1,006	1,065	1,686	1,495	2,134
Average	1,181	1,102	1,441	1,268	1,737

[1] Primarily seamless OCTG.
[2] Primarily welded OCTG.
[3] Both seamless and welded OCTG.

Source: Compiled from official Commerce statistics.

Table IV-4
OCTG: U.S. imports, by source and month, 2006-08 and January-September 2009

Source	January	February	March	April	May	June	July	August	September	October	November	December	Total
						Quantity (*short tons*)							
2006													
China	31,149	33,281	60,883	60,289	52,306	57,638	84,732	60,090	57,843	77,447	60,438	88,931	725,027
Nonsubject	129,914	95,961	86,669	120,509	129,587	88,315	119,755	113,183	75,322	87,460	91,467	66,432	1,204,575
Total	161,063	129,241	147,552	180,798	181,893	145,953	204,486	173,274	133,166	164,907	151,905	155,363	1,929,601
2007													
China	80,300	74,069	59,477	52,931	104,535	83,209	75,807	58,467	74,489	61,237	95,135	41,054	860,711
Nonsubject	85,640	75,947	85,336	72,958	73,599	68,097	76,903	64,312	74,894	55,023	80,536	51,367	864,612
Total	165,940	150,016	144,813	125,889	178,133	151,306	152,710	122,779	149,383	116,261	175,670	92,422	1,725,323
2008													
China	90,410	91,282	98,968	74,292	96,398	150,731	144,184	186,005	300,556	324,615	363,841	276,275	2,197,556
Nonsubject	106,675	45,909	104,123	101,191	123,554	93,611	153,617	120,295	157,414	181,626	181,118	165,580	1,534,713
Total	197,085	137,191	203,090	175,483	219,951	244,342	297,801	306,300	457,970	506,240	544,960	441,855	3,732,269
2009													
China	273,094	182,496	121,691	54,327	100,674	7,205	19	123	29				739,659
Nonsubject	195,211	76,860	115,919	51,128	40,483	27,023	35,357	13,108	28,041				583,130
Total	468,305	259,357	237,610	105,454	141,157	34,228	35,376	13,231	28,070				1,322,788

Source: Compiled from official Commerce statistics (HTS 7304.29, 7305.20, 7306.20, 7306.29).

CRITICAL CIRCUMSTANCES

The petition alleges that "critical circumstances" exist with regard to imports from China of OCTG.[5] [6] Certain subject imports may be subject to antidumping duties retroactive by 90 days from the effective date of Commerce's preliminary subsidy or LTFV determination, if affirmative. Commerce has issued a final negative critical circumstances determination in conjunction with its countervailing duty determination, finding that there had been no "massive increase" in shipments.[7] On November 17, 2009, Commerce issued a preliminary determination that "critical circumstances" do not exist for Changbao, TPCO or the separate-rate respondents but do exist with regard to LTFV imports from China of OCTG from the PRC entity.[8] Table IV-5 presents U.S. imports by the PRC entity for the six-month period prior to the filing of the petition on April 8, 2009 and the six-month period following the filing of the petition.[9]

Table IV-5
OCTG: U.S. imports from China subject to Comerce's preliminary critical circumstances determination, by month, October 2008 - September 2009

Quantity (*short tons*)						
October	**November**	**December**	**January**	**February**	**March**	**Total**
***	***	***	***	***	***	***
April[1]	**May**	**June**	**July**	**August**	**September**	**Total**
***	***	***	***	***	***	***

[1] The petition in this investigation was filed on April 8, 2009.

Note.--Percentage change between the aggregate six month imports is -86.9 percent.

Source: Compiled from data provided by Customs.

[5] Petitioners allege that critical circumstances exist with regard to Chinese OCTG. Petitioners allege that there was a massive surge in imports of Chinese OCTG in the second half of 2008, after Chinese producers and exporters had reason to believe that an antidumping or countervailing duty proceeding was likely. Petitioners further allege that there is a history of dumping and material injury by reason of unfairly-traded imports of Chinese OCTG in Canada. Finally, Petitioners contend that critical circumstances exist because of allegedly WTO-inconsistent subsidies. Petition, pp. 18-21.

[6] *Certain Oil Country Tubular Goods from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 74 FR 20678, May 5, 2009, presented in app. A.

[7] *Certain Oil Country Tubular Goods From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination*, 74 FR 64045, December 7, 2009.

[8] *Certain Oil Country Tubular Goods From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination*, 74 FR 59117, November 17, 2009.

[9] These data are compiled from confidential Customs information.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[10] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of 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 or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[11] Imports from China accounted for 60.0 percent of total imports of OCTG by quantity from April 2008 - March 2009.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of OCTG during the period of investigation are shown in table IV-6 and figure IV-1. Apparent U.S. consumption, particularly of seamless OCTG, increased sharply in 2008 after declining in 2007, with U.S. imports from China accounting for slightly more than one-half of the increase in 2008. Apparent U.S. consumption in January-September 2009 was less than half that of January-September 2008.

Table IV-6
OCTG: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2006-08, January-September 2008, and January-September 2009

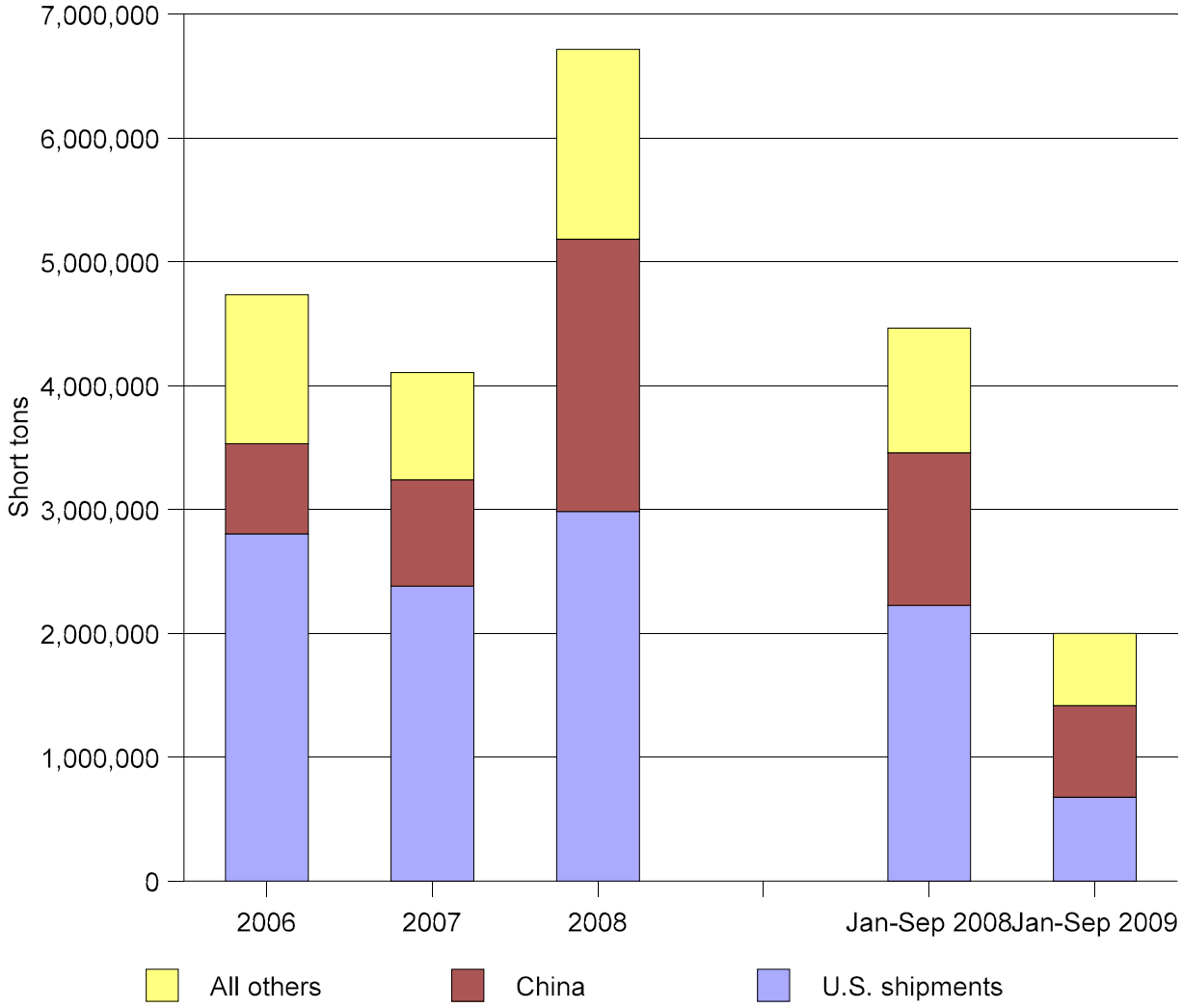
Item	Calendar year			January-September	
	2006	2007	2008	2008	2009
	Quantity (*short tons*)				
U.S. producers' U.S. shipments	2,805,457	2,381,634	2,986,480	2,225,983	677,514
U.S. imports from–					
China	725,027	860,711	2,197,556	1,232,826	739,659
Nonsubject countries	1,204,575	864,612	1,534,713	1,006,389	583,130
Total U.S. imports	1,929,601	1,725,323	3,732,269	2,239,214	1,322,789
Apparent U.S. consumption	4,735,058	4,106,957	6,718,749	4,465,197	2,000,303
	Value (*1,000 dollars*)				
U.S. producers' U.S. shipments	4,166,873	3,304,828	6,184,818	4,079,523	1,383,423
U.S. imports from--					
China	681,292	811,542	2,805,206	1,377,072	1,105,138
Nonsubject countries	1,598,489	1,089,955	2,572,888	1,461,709	1,192,040
Total U.S. imports	2,279,781	1,901,497	5,378,094	2,838,781	2,297,177
Apparent U.S. consumption	6,446,654	5,206,325	11,562,912	6,918,304	3,680,600

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

[10] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act.

[11] Section 771(24) of the Act.

Figure IV-1
OCTG: Apparent U.S. consumption, by sources, 2006-08, January-September 2008, and January-September 2009



Source: Table IV-6.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-7. Data show that U.S. producers' share of U.S. consumption (by quantity) declined by 14.8 percentage points during 2006-08 and was 16.0 percentage points lower January-September 2009 than in January-September 2008. U.S. imports from China accounted for a growing share of the U.S. market, increasing in each consecutive period, while the market share held by nonsubject imports from all other sources fluctuated within a relatively narrow range during 2006-08, but was higher in January-September 2009 than January-September 2008.

Table IV-7
OCTG: U.S. consumption and market shares, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
Apparent U.S. consumption	4,735,058	4,106,957	6,718,749	4,465,197	2,000,303
			Value (*1,000 dollars*)		
Apparent U.S. consumption	6,446,654	5,206,325	11,562,912	6,918,304	3,680,600
			Share of quantity (*percent*)		
U.S. producers' U.S. shipments	59.2	58.0	44.4	49.9	33.9
U.S. imports from--					
China	15.3	21.0	32.7	27.6	37.0
Nonsubject countries	25.4	21.1	22.8	22.5	29.2
All countries	40.8	42.0	55.6	50.1	66.1
			Share of value (*percent*)		
U.S. producers' U.S. shipments	64.6	63.5	53.5	59.0	37.6
U.S. imports from--					
China	10.6	15.6	24.3	19.9	30.0
Nonsubject countries	24.8	20.9	22.3	21.1	32.4
All countries	35.4	36.5	46.5	41.0	62.4

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

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

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of OCTG is presented in table IV-8. U.S. imports were nearly equivalent to U.S. production during the first three quarters of 2008, and by the end of the year exceeded U.S. production. U.S. import levels were more than twice U.S. production levels during the first three quarters of 2009, with U.S. imports from China alone exceeding U.S. production during the nine-month period.

Table IV-8
OCTG: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2006-08, January-September 2008, and January-September 2009

Item	Calendar year			January-September	
	2006	2007	2008	2008	2009
	Quantity (*short tons*)				
U.S. production	2,943,048	2,508,029	3,081,518	2,267,478	606,651
Imports from:					
China	725,027	860,711	2,197,556	1,232,826	739,659
Nonsubject countries	1,204,575	864,612	1,534,713	1,006,389	583,130
Total imports	1,929,601	1,725,323	3,732,269	2,239,214	1,322,789
	Ratio of U.S. imports to production (*percent*)				
Imports from:					
China	24.6	34.3	71.3	54.4	121.9
Nonsubject countries	40.9	34.5	49.8	44.4	96.1
Total imports	65.6	68.8	121.1	98.8	218.0

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

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

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

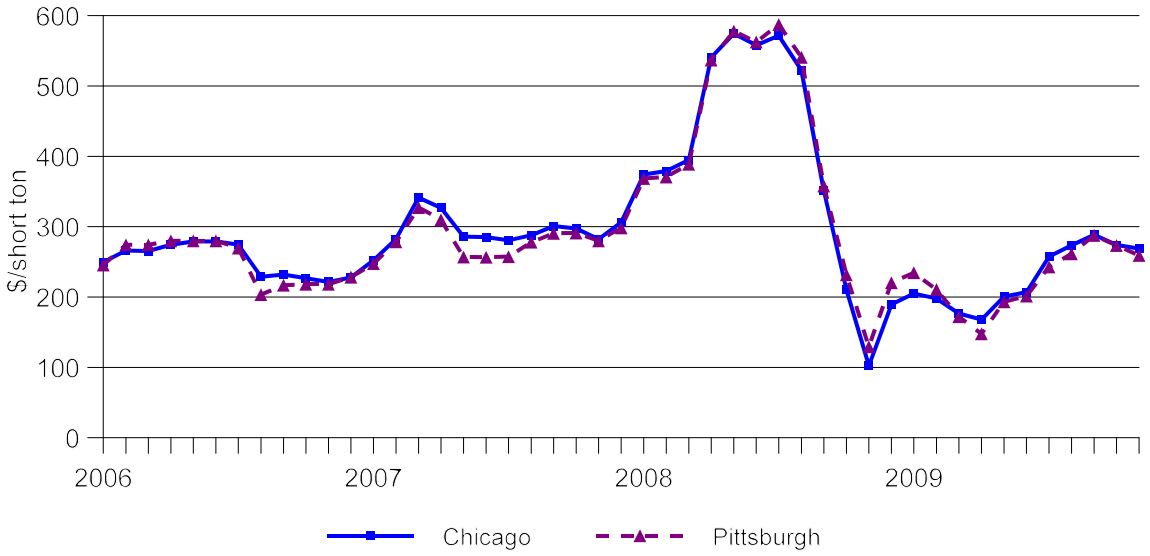
Raw Material Costs

Raw materials as a share of cost of goods sold for domestic producers of OCTG decreased slightly from 60.6 percent in 2006 to 59.9 percent in 2007, and then increased to 69.1 percent in 2008. Raw materials for domestic producers of OCTG were 70.6 percent of goods sold during January-September 2008, but was 47.5 percent during January-September 2009 as the relative shares of other factory costs increased following the idling of several OCTG facilities. The key costs in producing OCTG are raw materials such as hot-rolled steel and billets; inputs such as coke, scrap, pig iron, and hot-briqueted iron; energy; and labor. The price of scrap and the price of hot-rolled coil remained relatively stable during 2006 and 2007, doubled over the first three quarters of 2008, and then decreased to levels similar to those at the beginning of the period and to levels below those from 2006-07 in mid-2009 (figures V-1 and V-2). In addition, the prices of natural gas, electricity, and iron ore rose between 2006 and 2008, with noticeable increases for each in 2008 (table V-1).

U.S. Inland Transportation Costs

Six of seven responding producers and 13 of 36 responding importers indicated that their firm generally arranges for transportation to the customers' locations. U.S. producers estimated their U.S. inland transportation costs were between 2 and 5 percent, with importers estimating that their transportation costs ranged between 0 (for direct discharge to truck) and 13 percent.

Figure V-1
Ferrous scrap prices: No. 1 heavy melt, Chicago and Pittsburgh average consumer prices, monthly, January 2006-November 2009



Source: American Metal Market LLC.

Figure V-2
Hot-rolled coil prices: Spot prices, monthly, January 2006-October 2009

* * * * * * *

Table V-1
Energy and input prices: U.S. natural gas, electricity, and iron ore average annual prices, 2006-08 and 2009 year-to-date

Item	2006	2007	2008	2009
U.S. natural gas industrial price[1]	$7.87	$7.68	$9.58	$5.29 (Jan.-July)
Electricity industrial price[2]	6.1¢	6.4¢	6.9¢	7.0¢ (Jan.-Aug)
Iron ore (*per metric ton*)	$53.88	$59.64	$66.00	-

[1] Price to industrial users in dollars per thousand cubic feet.
[2] Price to industrial users in cents per kilowatt-hour.

Sources: U.S. Energy Information Administration, http://www.eia.doe.gov, official statistics of the U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/epm/table5_3.html, http://www.eia.doe.gov/cneaf/electricity/epm/table5_6_b.html, and http://minerals.usgs.gov/minerals/pubs/commodity/iron_ore/mcs-2009-feore.pdf.

Transportation Costs to the U.S. Market

Transportation costs of OCTG from China to U.S. markets are estimated to be 6.7 percent of the 2008 customs value. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.[1] Freight costs, as measured by the Baltic Dry Index, rose noticeably through the summer of 2008, then dropped sharply through the end of the year and have remained at lower levels in 2009 (figure V-3).

Figure V-3
Baltic Dry Index, November 2006-November 2009

Source: http://stockcharts.com/h-sc/ui, accessed November 11, 2009.

[1] Based on HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.

PRICING PRACTICES

Pricing Methods

OCTG is sold primarily on a spot basis. Four producers reported that 100 percent of their sales were on a spot basis and one producer reported that *** percent of its sales are on a long-term contract basis. Similarly, 17 importers reported that the majority of their sales were on a spot basis, 8 importers reported that the majority of sales were made using short-term contracts, and one importer reported that 50 percent of its sales occur on a spot basis and 50 percent of its sales were on a short-term contract basis.

Four of seven responding producers indicated that their prices were determined on a transaction-by-transaction basis and the other three producers reported that they use other methods including price lists or a combination of methods. Twenty-two of 32 responding importers determined prices on a transaction-by-transaction basis, and the remaining importers set prices mainly according to current competitive offers or a combination of methods.

Sales Terms and Discounts

Five of seven responding producers and 12 of 31 responding importers reported using discounts for their sales of OCTG. Three producers and five importers reported offering quantity discounts, while one producer and seven importers offer early payment discounts. All 7 responding producers and 23 of the 31 responding importers reported that the majority of their sales are made to order, while 8 importers reported that more than 60 percent of their sales are from inventory.

Producers reported lead times of 1 to 30 days from inventory or 30 to 180 days for sales of product which is made to order.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data on the total quantity and f.o.b. value for sales of the following three seamless and three welded OCTG products[2] sold to distributors[3] during January 2006 to September 2009. Price data for these OCTG products are presented in tables V-2 to V-7 and figure V-4.

Product 1.--Tubing, Grade J-55, 2 7/8" O.D., 6.5 lbs./ft., threaded and coupled, range 2, seamless

Product 2.--Casing, Grade J-55, 5 ½" O.D., 15.5 lbs./ft., threaded and coupled, range 3, welded

Product 3.--Casing, Grade N-80, 5 ½" O.D., 17.0 lbs./ft., threaded and coupled, range 3, seamless

Product 4.--Casing, Grade J-55, 8 5/8" O.D., 32.0 lbs./ft., threaded and coupled, range 3, welded

Product 5.--Casing, Grade J-55, 9 5/8" O.D., 36.0 lbs./ft., threaded and coupled, range 3, welded

Product 6.--Casing, Grade K-55, 9 5/8" O.D., 36.0 lbs./ft., threaded and coupled, range 3, seamless

Four U.S. producers (TMK IPSCO, Maverick,[4] U.S. Steel, and V&M Star) provided usable pricing data for sales of the requested OCTG products, although not all firms reported pricing for all products and for all quarters. Price data reported by these firms accounted for *** percent of U.S. producers' commercial shipments of OCTG during January 2006-September 2009 and are presented in Tables V-2 to V-7 and Figure V-4. Seventeen importers provided usable pricing data for imports from China[5] in the final phase of these investigations. Eight other importers provided questionnaire responses and pricing data in the preliminary phase of these investigations, but not in the final phase; their pricing data are included in the following tables and figures, although there is no pricing data reported for the last two quarters of 2009.[6] Price data reported included in Tables V-2 to V-7 and Figure V-4 accounted for

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[2] Purchasers were asked to discuss the extent to which the availability, market demand, and price levels of seamless OCTG affect those for welded OCTG, and vice-versa. Six responding purchasers reported that 90 to 100 percent of their purchases are composed of seamless OCTG, and one purchaser is primarily a welded OCTG distributor. The remaining 17 responding purchasers purchase both seamless and welded OCTG (seamless OCTG is usually used for deep high-pressure wells, and welded OCTG is usually used in more shallow wells). Of these latter purchasers, five firms reported that availability is a main factor in their purchasing decisions (for example, certain customers will accept purchasing seamless OCTG if welded OCTG is not available), eight noted price (for example, if seamless OCTG is priced the same as welded OCTG, certain customers would prefer seamless OCTG), two noted quality, and three firms noted the end users' applications requirements as a main determinant (for certain applications only one type of OCTG is acceptable). However, these purchasers indicated that all of the preceding factors are influenced by market demand.

[3] The petitioners expressed concern in their questionnaire comments that sales of OCTG by certain importers represented transactions at a different level of trade than sales by U.S. producers. To alleviate this concern, Staff collected pricing data for OCTG sold only to distributors and not directly to end users. In addition, Staff has removed the price data reported by ***, which identified itself as an importer but was subsequently determined to be a purchaser of imported product.

[4] ***.

[5] These firms include ***.

[6] These firms include ***. These companies accounted for *** percent of the pricing data coverage in the preliminary phase of these investigations.

*** percent of commercial shipments of OCTG from China during January 2006-September 2009. In addition, several importers reported pricing data from nonsubject countries.

Table V-2
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 1,[1] and margins of underselling, January 2006-September 2009

	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
Period	*per short ton*	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	***	***	$1,171	3,123	***
April-June	***	***	1,175	7,273	***
July-September	***	***	1,157	12,941	***
October-December	***	***	1,107	12,230	***
2007:					
January-March	***	***	1,306	9,040	***
April-June	***	***	1,078	7,793	***
July-September	***	***	1,096	6,194	***
October-December	***	***	1,029	9,776	***
2008:					
January-March	***	***	1,130	6,303	***
April-June	***	***	1,445	11,393	***
July-September	***	***	1,706	13,914	***
October-December	***	***	1,859	9,051	***
2009:					
January-March	***	***	1,578	5,371	***
April-June	-	-	***	***	-
July-September	***	***	***	***	***

[1] Product 1.—Tubing, Grade J-55, 2 7/8" O.D., 6.5 lbs./ft., threaded and coupled, range 2, seamless.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Table V-3
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 2,[1] and margins of underselling/(overselling), January 2006-September 2009

	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
Period	*per short ton*	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	$1,018	20,757	-	0	-
April-June	928	16,354	***	***	***
July-September	1,029	18,640	-	0	-
October-December	***	***	-	0	-
2007:					
January-March	1,020	8,271	-	0	-
April-June	***	***	***	***	***
July-September	***	***	-	0	-
October-December	978	6,527	-	0	-
2008:					
January-March	***	***	$937	1,119	***
April-June	***	***	1,295	1,550	***
July-September	2,021	14,281	2,153	4,203	(6.5)
October-December	2,259	5,703	1,658	7,218	26.6
2009:					
January-March	***	***	1,679	1,516	***
April-June	1,854	889	***	***	***
July-September	***	***	***	***	***

[1] Product 2.—Casing, Grade J-55, 5 ½" O.D., 15.5 lbs./ft., threaded and coupled, range 3, welded.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Table V-4
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 3,[1] and margins of underselling, January 2006-September 2009

Period	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	***	***	$1,189	4,924	***
April-June	***	***	1,275	4,045	***
July-September	***	***	1,202	4,961	***
October-December	***	***	1,120	7,842	***
2007:					
January-March	***	***	1,298	2,314	***
April-June	***	***	1,117	7,175	***
July-September	***	***	1,148	4,473	***
October-December	***	***	1,116	2,301	***
2008:					
January-March	***	***	1,161	5,319	***
April-June	***	***	1,546	9,729	***
July-September	***	***	1,864	18,010	***
October-December	***	***	2,018	35,071	***
2009:					
January-March	***	***	1,870	12,557	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***

[1] Product 3.—Casing, Grade N-80, 5 ½" O.D., 17.0 lbs./ft., threaded and coupled, range 3, seamless.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Table V-5
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 4,[1] and margins of underselling/(overselling), January 2006-September 2009

Period	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	$1,006	17,007	-	0	-
April-June	1,007	19,242	-	0	-
July-September	1,007	19,227	-	0	-
October-December	1,066	11,491	-	0	-
2007:					
January-March	1,022	14,494	-	0	-
April-June	1,016	14,599	-	0	-
July-September	1,004	11,425	-	0	-
October-December	1,001	10,997	-	0	-
2008:					
January-March	1,134	17,057	***	***	***
April-June	1,170	17,528	***	***	***
July-September	2,088	8,120	$2,399	1,333	(14.9)
October-December	2,355	4,274	1,809	2,534	23.2
2009:					
January-March	***	***	1,733	3,707	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***

[1] Product 4.—Casing, Grade J-55, 8 5/8" O.D., 32.0 lbs./ft., threaded and coupled, range 3, welded.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Table V-6
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 5,[1] and margins of underselling/(overselling), January 2006-September 2009

Period	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	$1,030	27,449	***	***	***
April-June	1,056	34,266	***	***	***
July-September	1,041	22,766	***	***	***
October-December	1,022	35,443	***	***	***
2007:					
January-March	1,022	29,038	***	***	***
April-June	1,029	31,379	$963	3,283	6.4
July-September	1,012	23,165	906	3,183	10.5
October-December	997	30,644	***	***	***
2008:					
January-March	978	38,201	1,053	1,410	(7.7)
April-June	1,200	35,279	1,302	2,161	(8.5)
July-September	2,131	18,411	1,919	10,202	9.9
October-December	2,241	23,998	1,802	10,740	19.6
2009:					
January-March	1,844	3,312	1,799	11,422	2.4
April-June	***	***	***	***	***
July-September	***	***	***	***	***

[1] Product 5.—Casing, Grade J-55, 9 5/8" O.D., 36.0 lbs./ft., threaded and coupled, range 3, welded.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Table V-7
OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 6,[1] and margins of underselling/(overselling), January 2006-September 2009

Period	United States		China[2]		
	Price	Quantity	Price	Quantity	Margin
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*
2006:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	-	0	-
October-December	***	***	$1,032	3,467	***
2007:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***
October-December	***	***	-	0	-
2008:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	1,587	3,018	***
October-December	***	***	1,694	6,440	***
2009:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***

[1] Product 6.—Casing, Grade K-55, 9 5/8" O.D., 36.0 lbs./ft., threaded and coupled, range 3, seamless.
[2] Chinese quantities are understated in the last two quarters of 2009 because eight importers provided questionnaire responses only in the preliminary phase of these investigations.

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

Figure V-4
OCTG: Weighted-average f.o.b. prices and quantities of products 1-6, by country, January 2006-September 2009

* * * * * * *

Price Trends

Weighted-average prices for U.S.-produced OCTG generally fluctuated within a narrow range during 2006 and 2007 with no apparent trend, then increased in the last three quarters of 2008 by over $1,000 per short ton before declining in 2009 (albeit to levels still generally higher than in 2006-07). Prices for imports from China also fluctuated within a narrower range during 2006 and 2007, and followed the pattern of U.S. prices fairly closely in 2008 and 2009.[7]

Table V-8
OCTG: Summary of weighted-average f.o.b. prices for products 1-6 from the United States and China

Item	Number of quarters	Low price (*per short ton*)	High price (*per short ton*)	Change in price[1] (*percent*)
Product 1[2]				
United States	14	***	***	***
China	15	***	$1,859	***
Product 2[3]				
United States	15	$928	2,259	***
China	9	743	2,153	***
Product 3[2]				
United States	15	***	***	***
China	15	1,116	2,018	***
Product 4[3]				
United States	15	***	2,355	***
China	7	***	2,399	***
Product 5[3]				
United States	15	978	2,241	***
China	15	906	1,919	***
Product 6[2]				
United States	15	***	***	***
China	13	***	***	***

[1] Percentage change from the first quarter in which price data were available to the last quarter in which price data were available, based on unrounded data.
[2] Products 1, 3, and 6 are seamless OCTG products.
[3] Products 2, 4, and 5 are welded OCTG products.

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

When purchasers were asked if there was a price leader in the OCTG industry, 27 of the purchasers reported "yes," with nearly all purchasers citing more than one U.S. producer. U.S. purchasers most frequently identified U.S. Steel and V&M Star as price leaders. Most purchasers reported that these firms exhibited price leadership by being the first to announce changes in price.

[7] The respondents testified at the hearing that U.S. producers refused to honor contracts throughout 2008. Similarly, three purchasers reported that the price at delivery was different than the price at order (see Footnote 4 in Part II).

Price Comparisons

As shown in table V-9, there were 73 instances where prices for domestic OCTG and imported OCTG from China could be compared. U.S.-produced OCTG products were priced higher than imports from China in 58 of the 73 possible comparisons. In terms of quantity, 94.4 percent of imports of OCTG from China covered by these comparisons was priced lower than comparable U.S. product. By both measures, underselling was most pronounced in 2009, and was more prevalent for seamless pricing items than for welded pricing items.

Table V-9
OCTG: Summary of underselling/(overselling) by product and by year from China, January 2006-September 2009

Period	Total price comparisons		Underselling by imports			(Overselling) by imports		
	No.	Quantity (*short tons*)	No.	Quantity (*short tons*)	Range of underselling (*percentage*)	No.	Quantity (*short tons*)	Range of (overselling) (*percentage*)
Year								
2006	16	***	12	***	***	4	***	***
2007	16	***	12	***	***	4	***	***
2008	24	***	18	***	***	6	***	***
Jan.-Sept. 2009	17	***	16	***	***	1	***	***
Product								
Product 1[1]	14	***	14	***	***	0	-	-
Product 2[2]	9	***	6	***	***	3	***	***
Product 3[1]	15	***	15	***	***	0	-	-
Product 4[2]	7	***	5	***	***	2	***	***
Product 5[2]	15	***	9	***	***	6	***	***
Product 6[1]	13	***	9	***	***	4	***	***
Total	73	341,606	58	321,290	0.5 to 46.4	15	20,316	(1.3) to (30.4)

[1] Products 1, 3, and 6 are seamless OCTG products.
[2] Products 2, 4, and 5 are welded OCTG products.

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

LOST SALES AND LOST REVENUES

In the preliminary and final phase of these investigations, the Commission requested U.S. producers of OCTG to report any instances of lost sales or revenues they experienced due to competition from imports from China. U.S. producers provided 25 lost sales allegations but did not provide any lost revenue allegations. The 25 lost sales allegations regarding China totaled $58,070,698. Staff contacted the 14 purchasers cited in the allegations; of which 5 purchasers responded.[8] One purchaser agreed with the lost sales allegations, while four disagreed. Information from purchasers is summarized in table V-10 and discussed below.[9]

***

Table V-10
OCTG: U.S. producers' lost sales allegations

* * * * * * *

***. While these companies did not respond to the lost sale allegations in the preliminary phase of these investigations, they did provide a purchaser questionnaire in the final phase of the investigations (see the following tabulation).[10]

* * * * * * *

[8] Purchasers ***, ***, ***, *** and *** responded to seven lost sale allegations. Staff contacted all unresponsive purchasers in both the preliminary and the final phases of these investigations.

[9] Three purchasers that did not respond to these specific allegations did provide purchaser questionnaires.

[10] *** and *** attributed shifts in their relative purchase volumes to pricing and availability, while *** did not report a shift in its relative purchase volumes.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Seven U.S. firms provided usable financial data on their operations on OCTG.[1] These data are believed to account for the large majority of U.S. operations on OCTG. No firms reported internal consumption, *** reported transfers to related firms, and *** reported independent tolling operations. Transfers to related firms and independent tolling operations each accounted for *** percent of total net sales in 2008. Accordingly, data for such operations are not presented separately in this section of the report.[2] All firms reported a fiscal year end of December 31 ***.

U.S. producers were asked to list the various products produced in their facilities that produce OCTG, and to provide the share of net sales accounted for by these products in their most recent fiscal year. Six U.S. producers stated that OCTG accounted for 73 percent or more of net sales, with *** stating that OCTG accounted for 100 percent of net sales. Only *** reported that OCTG comprises a small amount (*** percent) of total net sales.

OPERATIONS ON OCTG

Income-and-loss data for U.S. firms on their operations on OCTG are presented in table VI-1, while selected financial data, by firm, are presented in table VI-2. The domestic industry experienced increasing operating income from 2006 to 2008, followed by a decline in operating income in January-September 2009 as compared to January-September 2008. Total net sales quantity and value increased from 2006 to 2008, with a notably larger increase in net sales value during this time. In January-September 2009, both net sales quantity and value were much lower than in January-September 2008. The reduction in net sales quantity was somewhat greater than the reduction in net sales value. Thus, per-short ton net sales value increased from 2006 to 2008, and was higher in January-September 2009 as compared to January-September 2008. From 2006 to 2008, the per-short ton cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses, combined, increased; however, net sales values increased at a greater rate, thus leading to increasing operating income on a per-short ton basis and as a ratio to sales. In January-September 2009, per-short ton net sales values also increased as compared to January-September 2008; however, per-short ton COGS and SG&A expenses increased at a greater rate and thus led to a decline in operating income on a per-short ton basis and as a ratio to sales.

[1] The U.S. producers are ***. Commission staff verified the U.S. producers' questionnaire response of ***, and the results of the verification are incorporated in this report.

[2] Separate financial data on seamless and welded OCTG are presented in appendix C.

Table VI-1
OCTG: Results of operations of U.S. producers, 2006-08, January-September 2008, and January-September 2009

Item	Fiscal year			January-September	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
Total net sales	2,940,342	2,469,138	3,128,263	2,316,803	707,619
			Value (*$1,000*)		
Total net sales	4,378,324	3,444,495	6,434,811	4,223,978	1,451,262
COGS	2,964,845	2,593,617	4,001,065	2,775,683	1,170,192
Gross profit	1,413,479	850,878	2,433,746	1,448,295	281,070
SG&A expenses	194,752	252,459	336,428	239,019	221,128
Operating income	1,218,727	598,419	2,097,318	1,209,276	59,942
Interest expense	29,410	19,285	22,269	12,927	45,533
Other income/(expense)	(8,310)	(13,234)	(222,048)	(30,493)	(24,033)
Net income	1,181,007	565,900	1,853,001	1,165,856	(9,624)
Depreciation[1]	58,298	52,673	131,178	100,066	135,630
Cash flow	1,239,305	618,573	1,984,179	1,265,922	126,006
			Ratio to net sales (*percent*)		
COGS:					
Raw materials	41.0	45.0	42.9	46.3	38.2
Direct labor	6.7	8.4	5.0	5.6	9.7
Other factory costs	20.0	21.8	14.3	13.8	32.8
Total COGS	67.7	75.3	62.2	65.7	80.6
Gross profit	32.3	24.7	37.8	34.3	19.4
SG&A expenses	4.4	7.3	5.2	5.7	15.2
Operating income	27.8	17.4	32.6	28.6	4.1
Net income	27.0	16.4	28.8	27.6	(0.7)
			Unit value (*per short ton*)		
Total net sales	$1,489	$1,394	$2,056	$1,823	$2,053
COGS:					
Raw materials	611	628	882	845	783
Direct labor	100	118	103	102	198
Other factory costs	297	305	294	251	673
Total COGS	1,008	1,050	1,279	1,198	1,654
Gross profit	481	345	778	625	397
SG&A expenses	66	102	108	103	312
Operating income	414	242	670	522	85
Net income	402	229	592	503	(14)
			Number of firms reporting		
Operating losses	0	0	1	0	3
Data	7	7	7	7	7

Table continued on next page.

Table VI-1-- *Continued*
OCTG: Results of operations of U.S. producers, 2006-08, January-September 2008, and January-September 2009

[1] The large increases in depreciation expense in 2008 and January-September 2009 as compared to comparable prior periods are the result of required asset revaluations by ***. E-mail correspondence from ***, May 4, 2009 and ***, April 30, 2009.

Note.– Because ***, financial data for all U.S. producers were combined. Although the same underlying product could be reported more than once using this approach (e.g., an OCTG sale from a mill to a processor may also be reported as a sale of OCTG by a processor), the effect is reflected in both revenue and COGS and therefore results in a fair presentation of the industry's operations.

Note.– Separate financial data on seamless and welded OCTG are presented in appendix C.

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

Table VI-2
OCTG: Results of operations of U.S. producers, by firm, 2006-08, January-September 2008, and January-September 2009

* * * * * * *

While the overall industry reported a decline in operating income in January-September 2009 relative to January-September 2008, *** firms - *** - reported operating losses during this time.[3] *** stated that much of its reported increases in other factory costs, depreciation, and SG&A expenses in 2008 and January-September 2009 stemmed from ***.[4] *** reported that the large increase in per-short ton SG&A expenses between the comparable interim periods largely reflects the fact that much of these costs are fixed, and thus as sales volume declined such costs increased on a per-short ton basis.[5] *** stated that its reported operating losses primarily reflect the negative impact of subject imports from China.[6]

VARIANCE ANALYSIS

A variance analysis for OCTG is presented in table VI-3. The information for the variance analysis is derived from table VI-1. The analysis shows that the improvement in operating income from 2006 to 2008 is primarily attributable to a favorable price variance that more than offset an unfavorable net cost/expense variance (that is, prices rose to a greater extent than costs and expenses). From January-September 2008 to January-September 2009, the decline in operating income is primarily attributable to unfavorable volume and net cost/expense variances that were much greater than the favorable price variance (that is, the decline in volume and increase in costs/expenses outweighed an increase in prices).[7]

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[3] ***. During the period for which data were collected, every measure of operating profitability for seamless OCTG was higher than every measure of operating profitability for welded OCTG. For welded OCTG, ***. In contrast, operating income margins for seamless OCTG were ***. Net sales quantities of welded OCTG ***, while net sales quantities of seamless OCTG ***. U.S. producers were asked to discuss any differences in the performance of their multiple OCTG production facilities. Their responses are shown in app. G.

[4] U.S. producers' questionnaire response of ***, question III-10, and e-mail correspondence from ***, May 4 and November 11, 2009. ***.

[5] Postconference brief of ***, exh. 1, pp. 1-5, and e-mail correspondence from ***, November 12, 2009. Staff confirmed the reported level of SG&A expenses during verification.

[6] E-mail correspondence from ***, May 11, 2009. Staff notes that, unlike other reporting producers, ***.

[7] A variance analysis is calculated in three parts, sales variance, cost of sales variance, and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of

(continued...)

Table VI-3
OCTG: Variance analysis on operations of U.S. producers, 2006-08, and January-September 2008-09

Item	Between fiscal years			Jan.-Sept.
	2006-08	2006-07	2007-08	2008-09
	Value (*$1,000*)			
Total net sales:				
Price variance	1,776,663	(232,181)	2,070,824	161,136
Volume variance	279,824	(701,648)	919,492	(2,933,852)
Total net sales variance	2,056,487	(933,829)	2,990,316	(2,772,716)
Cost of sales:				
Cost variance	(846,733)	(103,903)	(715,094)	(322,418)
Volume variance	(189,487)	475,131	(692,354)	1,927,909
Total cost variance	(1,036,220)	371,228	(1,407,448)	1,605,491
Gross profit variance	1,020,267	(562,601)	1,582,868	(1,167,225)
SG&A expenses:				
Expense variance	(129,229)	(88,917)	(16,576)	(148,125)
Volume variance	(12,447)	31,210	(67,393)	166,016
Total SG&A variance	(141,676)	(57,707)	(83,969)	17,891
Operating income variance	878,591	(620,308)	1,498,899	(1,149,334)
Summarized as:				
Price variance	1,776,663	(232,181)	2,070,824	161,136
Net cost/expense variance	(975,962)	(192,820)	(731,670)	(470,542)
Net volume variance	77,890	(195,307)	159,745	(839,928)

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

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

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' aggregate data on capital expenditures and research and development ("R&D") expenses are shown in table VI-4. All seven firms provided capital expenditure data, while only two firms provided data on R&D expenses. Capital expenditures for OCTG increased from 2006 to 2008, and also increased slightly in January-June 2009 as compared to January-June 2008. *** reported the large majority of total capital expenditures during the period for which data were collected. According to ***, capital expenditures primarily reflect ***.[8] According to ***, capital expenditures reflect ***.[9] [10]

[7] (...continued)
the cost of sales and SG&A expense variance) and a volume variance. The sales or cost variance is calculated as the change in unit price times the new volume, while the volume variance is calculated as the change in volume times the old unit price. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively; and the volume variance is the sum of the lines under price and cost/expense variance.

[8] E-mail correspondence from ***, May 4, 2009.

[9] E-mail correspondence from ***, April 30, 2009.

[10] Capital expenditures for seamless OCTG represented the majority of reported total capital expenditures during the period for which data were requested, ranging from *** percent in 2006 to *** percent in January-September 2008. While capital expenditures for seamless OCTG increased from 2006-08, such expenditures declined for
(continued...)

Table VI-4
OCTG: Capital expenditures and research and development expenses of U.S. producers, 2006-08, January-September 2008, and January-September 2009

Item	Fiscal year			January-September	
	2006	2007	2008	2008	2009
	Value (*$1,000*)				
Capital expenditures:					
Total	124,321	150,807	157,692	103,271	107,987
R&D expenses:					
Total	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.					

ASSETS AND RETURN ON INVESTMENT

Data on the U.S. producers' total assets and their return on investment ("ROI") are presented in table VI-5. From 2006 to 2008, the total assets for OCTG increased from $4.1 billion in 2006 to $4.8 billion in 2007 and to $7.1 billion in 2008, and the ROI ranged from 12.4 percent (in 2007) to 29.8 percent (in 2006). Much of the increase in current assets relates to increases in the selling prices and input costs for OCTG, while much of the increase in non-current assets relates to industry restructuring (e.g., the revaluation of fixed assets and increases in intangible assets).

Table VI-5
OCTG: Asset values and return on investment of U.S. producers, 2006-08

Item	Fiscal year		
	2006	2007	2008
Value of assets:	Value (*$1,000*)		
Current assets:			
Cash and equivalents	109,321	41,014	371,177
Accounts receivable, net	497,092	520,255	744,553
Inventories	892,676	687,215	1,152,863
Other	69,112	113,285	110,809
Total current assets	1,568,201	1,361,769	2,379,402
Property, plant and equipment:			
Original cost	1,785,788	1,995,927	2,742,986
Less: accumulated depreciation	955,012	923,434	1,214,418
Equals: book value	830,776	1,072,493	1,528,568
Other non-current assets	1,696,864	2,403,948	3,233,979
Total assets	4,095,841	4,838,210	7,141,949
Operating income or (loss)	1,218,727	598,419	2,097,318
	Share *(percent)*		
Return on investment	29.8	12.4	29.4
Source: Compiled from data submitted in response to Commission questionnaires.			

[10] (...continued)
welded OCTG. Capital expenditures for seamless OCTG declined between the comparable interim periods, while such expenditures increased for welded OCTG during this time.

CAPITAL AND INVESTMENT

U.S. producers were asked to describe any actual or potential negative effects of subject imports on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. In addition, U.S. producers were asked to discuss any differences in the performance of their multiple OCTG production facilities. Their questionnaire responses are shown in appendix G.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries and the global market.

THE INDUSTRY IN CHINA

China is the world's most populous country and has a rapidly growing economy. It is also the world's second-leading consumer of oil after the United States, and the third-largest net importer of oil following the United States and Japan.[1]

OCTG is among the products that have been encouraged for development by the Government of China ("GOC") in its national economic five-year plan.[2] OCTG production also plays a role in the development of China's oil and gas industry in the Eleventh Five-Year Plan for Energy Development.[3] According to the petitioners, most of the key OCTG producers are also large basic steel producers and China's steel industry is a mixture of state-owned and private companies.[4] On December 7, 2008, the GOC announced a 4 trillion yuan ($586 billion) economic stimulus package, which would include government investments in public sector projects for two years to promote economic growth.[5] Further, on May 27, 2009, the GOC announced measures to increase export credit insurance for all merchandise goods to $84 billion and export credit to $10 billion.[6]

Global markets, however, have deteriorated and world wide demand for OCTG has declined rapidly. Chinese seamless pipe producers reportedly lost over half of their export orders in 2009, as

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[1] China's economic growth averaged 10 percent during 2000-08. The current global economic crisis reduced Chinese annual economic growth from 13 percent in 2007 to 6.1 percent in the first quarter of 2009. Energy Information Administration, Department of Energy, July 2009, found at http://www.eia.doe.gov/emeu/cabs/China/Background.html, retrieved October 19, 2009.

[2] Alan Wm. Wolff, *China's Industrial Policies: The Impact on U.S. Companies, Workers and the American Economy,* Dewey & LeBoeuf, Testimony before a hearing of the U. S.-China Economic and Security Review Commission, March 24, 2009; found at http://www.uscc.gov/hearings/2009hearings/written_testimonies/09_03_24_wrts/09_03_24_wolff_statement.php, retrieved December 15, 2009. *See also* Ministry of Commerce of the People's Republic of China, "*Catalogue of Major Industries, Products and Technologies Encouraged for Development in China*," December 31, 1997 (Petition, Exhibit III-13).

[3] Petition, p. 7.

[4] Petition, p. 106 and Vol. 1, Exhibit I.

[5] "Impact of China's $586 billion Remains Unclear," American Metal Market, November 10, 2008, found at http://www.amm.com/2008-11-10__18-09-13.html, retrieved May 1, 2009.

[6] On May 27, 2009, Premier Premier Wen Jiabao reportedly outlined these measures in a meeting with industry sources. *See* "China Unveils New Measures to Boost Exports," Southeast Asia Iron and Steel Institute (Seaisi), May 28, 2009, found at http://www.seaisi.org/news/news_view.asp?news_id=1293, retrieved May 28, 2009.

compared with the same period last year.[7] Similarly, during the first eight months of 2009, China exported only 1.9 million short tons of welded pipe – a decrease of 26 percent from the same period in 2008,[8] despite an export rebate of China's value added tax ("VAT") of 13 percent for most carbon welded pipe.[9]

According to the World Steel Association (WSA)[10] China has been the world's leading producer of all steel tubes since 2002. In 2007, its total production was 45 million short tons, an 18-percent increase over the 2006 level.[11] More specifically, according to ***, during 2002-07, China was the world's leading producer of OCTG, accounting for approximately *** of the world's total OCTG production in 2007 (table VII-1).[12]

Table VII–1
OCTG: Published estimates of production of OCTG, by region, 2005-07

* * * * * * *

Table VII-2 highlights China's recent OCTG capacity developments according to published sources. Petitioners contend that the quantity of new capacity for seamless pipe in China will increase by as much as 12.1 million short tons.[13] Respondents emphasize the distinction between OCTG production and capacity and overall tubular operations.[14]

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[7] "Higher Rebate, Oil Price Fail to Lift China's Seamless Pipe Offers," Metal Bulletin, June 12, 2009, found at http://www.metalbulletin.com/Article/2231900/Iron/Higher-rebate-oil-price-fail-to-lift-Chinas-seamless-pipe-offers.html, retrieved June 12, 2009.

[8] *See* Metal Bulletin, "Chinese Welded Pipe Exporters Slash Prices," found at http://www.metalbulletin.com/Article/2319711/Iron/Chinese-welded-pipe-exporters-slash-prices.html, October 20, 2009, retrieved October 20, 2009. Following the Commission's preliminary decision on OCTG on May 22, 2009, Vice Premier Wang Qishan advised exporters that the GOC would help exporters maintain global market positions. *See* Alfred Cang, "China Aims to Maintain Export Share-Vice Premier," found at http://www.iii.co.uk/news/?type=afxnews&articleid=7339653&subject=companies&action=article, retrieved May 27, 2009.

[9] Metal Bulletin Research, *Welded Steel Tube and Pipe Monthly*, April 2009, p. 7.

[10] The WSA, formerly known as the International Iron and Steel Institute (IISI), is an international organization representing approximately 180 steel producers, national and regional steel industry associations, and steel research institutes. WSA members produce about 85 percent of the world's steel. WSA provides data for all tubular products, a much broader category than the subject products.

[11] *WSA, Steel Statistical Yearbook 2008*, tables 25 and 26. WSA data are reproduced in tables VII-8, 9, and 10 of this report. The 2009 yearbook had not been published as of the drafting of this staff report.

[12] ***. According to ***'s information, China overtook the United States to become the world's largest OCTG producer in 2002.

[13] U.S. Steel's prehearing brief, pp. 70-75. Petitioners have asserted that while overall production has been cut to reduce inventory due to deteriorating demand, China continues to add new capacity during 2009-10 despite having millions of tons of current excess OCTG capacity. In addition, they contend that China's OCTG exports are highly dependent on the U.S. market, its largest export customer, and China will continue to focus on this market. Petitioners maintain that a conservative estimate of China's excess capacity in 2009 would be sufficient to supply the entire U.S. OCTG market. Hearing transcript, pp. 74, 78, 80, and 87 (Lighthizer) and pp. 87-88 (Surma). *See also* presentation entitled *Certain Oil Country Tubular Goods from China*, attachment to hearing transcript, p. 20.

[14] Respondents' posthearing brief, pp. 5-7. Respondents stressed that the OCTG is cyclical in nature and that the domestic industry is currently going through the downturn phase of the business cycle following record profits over the past three years. Respondents concluded that since increasing imports from China had no effect on either prices

(continued...)

Table VII-2
OCTG: Recent OCTG capacity expansion in China

* * * * * * *

In 2007, there were some concerns regarding the quality of Chinese tube and pipe exports to the United States.[15] However, many of these concerns focused on nonsubject construction pipe, and the American Institute of Steel Construction, Inc. (AISC) did not find any conclusive evidence regarding the quality issue.[16] According to petitioners, not only has Chinese product quality improved rapidly and become more widely accepted every year,[17] but the Chinese heat treatment facilities utilized in the production of higher grade pipe are very modern.[18] Published sources confirm that many Chinese mills have begun operations during the last five years while older companies have modernized or expanded their production facilities recently.[19]

According to *Global Trade Atlas*, China has been the world's leading OCTG exporter in recent years.[20] During 2007-08, China's OCTG exports increased by almost 2.4 million tons (126 percent) to nearly 4.3 million tons in 2008, accounting for 43 percent of the world's total OCTG exports. China's net trade surplus in OCTG increased by over 2.4 million tons (141 percent) to 4.1 million tons in 2008, mostly in seamless OCTG. With respect to home market prospects, most Chinese oil and natural gas exploration activities have been concentrated in the onshore fields in the western province of Xinjiang, Sichuan, Gansu, and Inner Mongolia.[21]

Internationally, Tianjin Pipe Group Corp, China's largest seamless tube producer, and Wuxi have continued to invest in new tubular mills in Texas.[22] In mid-2010, Tianjin plans to install a $1-billion, 550,000-ton seamless pipe mill in the southern part of the state near Corpus Christi.[23] Production is expected to begin around 2012. At Wuxi's 130,000-net ton facility in Houston, the finishing line is in the final phase of construction and the heat-treating equipment is expected to be installed in February 2010. Wuxi's finishing line and heat-treatment operations may be expanded further in 2010.[24]

The Commission sent foreign producer/exporter questionnaires to 200 firms identified in the petition as producers or exporters of OCTG in China, for which contact information was publicly

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[14] (...continued)
or profits in the U.S. market, the domestic OCTG industry is not vulnerable to imports from China. Presentation entitled *Never Better Prepared: Benefitting from a Unprecedented Five-Year Boom*, attachment to hearing transcript, p. 20.

[15] Preston Publishing Company, *Preston Pipe and Tube Report*, September 2007, p. 1.

[16] Chicago-based AISC is a technical and trade association representing most U.S. structural steel fabricators.

[17] Conference transcript, p. 31 (Horan).

[18] Conference transcript, p. 104 (Barnes).

[19] For example, Tianjin Pipe, China's largest seamless producer, has expanded tube production, including OCTG, from *** tons in 2003 to *** tons in 2007. *See* ***.

[20] The United States, in contrast, was the world's largest importer of OCTG in 2008. In 2008, U.S. OCTG imports increased by over 2 million tons to 3.7 million tons.

[21] "China Energy profile," *Energy Information Administration*, U.S. Department of Energy, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CH, retrieved May 1, 2009.

[22] Conference transcript, p. 83 (Balkenende).

[23] AMM, "*Tianjin Pipe Sees Progress on Texas Tube Plant*," November 15, 2009.

[24] Email from ***.

available.[25] Sixteen firms provided complete responses to the Commission's questionnaires.[26] The names of the foreign firms along with shares of production and subject exports to the United States (by quantity) are presented in table VII-3. The responding firms accounted for approximately *** percent of production capacity of OCTG and related tubular products in China during 2008, and approximately *** percent of exports from China of OCTG during 2008.[27] The Commission asked these foreign firms to estimate the shares of their firm's total sales that were represented by sales of OCTG in 2008; firms' estimates ranged from 2.76 percent to 99 percent of total sales. In response to a question on capacity changes, several Chinese producers reported plans to change production capacity or production of OCTG in China.[28] Reported exports to the United States (1.5 million short tons) were equivalent to approximately 66 percent of official Commerce imports (2.2 million short tons) in 2008.

Table VII-3
OCTG: Reporting manufacturers/exporters in China, and quantities and shares of reported production and exports to the United States, 2008

* * * * * * *

Table VII-4 presents information on Chinese producers' OCTG operations as compiled from responses to the Commission's questionnaires. Table VII-5 presents Chinese tubular capacity and production, by welded and seamless products. The preponderance of reported overall Chinese capacity and production is seamless, accounting for more than *** percent of capacity and *** percent of production during the period for which data were collected. Chinese OCTG capacity rose by 26 percent from 2006 to 2008 and is projected to return to 2008-levels in 2010, after declining in 2009. Exports to the United States tripled from 2006 to 2008, compared with an increase of 63 percent to all other markets but are projected to be lower in both 2009 and 2010.[29] Home market shipments, in contrast, were relatively stable.

[25] Petition, Exhibit General-3 and internet searches.

[26] One firm that responded in the preliminary phase did not respond in the final phase (***). Its responses in the preliminary phase were used as the data differed only in terms of the interim periods and the inclusion of coupling stock.

[27] The coverage share is based on the responses to the Commission's questionnaire as compared to *** and export data from the Global Trade Atlas database.

[28] ***.

[29] With respect to projected exports to the United States, ***. Supplemental submission by Respondents, November 25, 2009.

Table VII-4
OCTG: Chinese production capacity, production, shipments, and inventories, 2006-08, January-September 2008, January-September 2009, and projected 2009-10

Item	Actual experience					Projections	
				January-September			
	2006	2007	2008	2008	2009	2009	2010
	Quantity (*short tons*)						
Capacity	5,874,812	6,070,377	7,417,424	4,799,034	4,864,836	7,058,446	7,316,480
Production	4,887,922	5,001,893	6,398,144	3,796,308	3,356,921	5,003,148	5,317,351
End of period inventories	***	***	***	***	***	***	***
Shipments:							
Internal consumption	114,010	233,127	157,905	6,610	42,028	197,332	283,295
Home market	3,665,323	3,374,831	3,778,732	2,181,666	2,392,745	3,642,609	3,908,227
Exports to--							
The United States	484,352	550,251	1,450,503	921,047	250,466	273,272	159,382
All other markets	587,089	810,230	957,575	662,526	672,950	892,000	950,656
Total exports	1,071,441	1,360,482	2,408,078	1,583,573	923,417	1,165,273	1,110,038
Total shipments	4,850,775	4,968,440	6,344,714	3,771,849	3,358,190	5,005,214	5,301,560
	Ratios and shares (*percent*)						
Capacity utilization	81.1	80.2	83.4	76.5	68.3	70.9	72.7
Inventories to production	***	***	***	***	***	***	***
Inventories to total shipments	***	***	***	***	***	***	***
Share of total shipments:							
Internal consumption	2.4	4.7	2.5	0.2	1.3	3.9	5.3
Home market	75.6	67.9	59.6	57.8	71.3	72.8	73.7
Exports to--							
The United States	10.0	11.1	22.9	24.4	7.5	5.5	3.0
All other markets	12.1	16.3	15.1	17.6	20.0	17.8	17.9
All export markets	22.1	27.4	38.0	42.0	27.5	23.3	20.9

Note.–Because of rounding, figures may not add to the totals shown. Interim data do not include ***, resulting in a modest understatement for these periods.

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

Table VII-5
OCTG: Chinese capacity, production, and capacity utilization of welded and seamless tubular products, 2006-08, January-September 2008, and January-September 2009

* * * * * * *

Respondents provided information from the China Steel Pipe Association concerning OCTG capacity, production, and shipments within China. The capacity was compiled from information collected from its member companies;[30] production data is compiled from the state statistics bureau (China); and export data was obtained from the Chinese Customs maintained on the association's website. These data are presented in the following tabulation:

* * * * * * *

U.S. INVENTORIES OF PRODUCT FROM CHINA

Data collected in these investigations on U.S. importers' end-of-period inventories of OCTG are presented in table VII-6. Twenty U.S. importers reported holding inventories of OCTG from China in December 2008, and 16 in September 2009.

Table VII-6
OCTG: U.S. importers' end-of-period inventories of imports, 2006-08, January-September 2008, and January-September 2009

* * * * * * *

U.S. IMPORTERS' CURRENT ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of OCTG from China after September 30, 2009. One firm *** reported having arranged for the importation of OCTG from China (***).[31] Table VII-7 presents U.S. importers' orders of OCTG from China after September 30, 2009, by month. Sixteen importers reported orders totaling 106,915 short tons of OCTG from all other sources.

[30] Data provided by the Tubular Goods Research Center suggest that production estimates are based on the operations of *** producers. Respondent's posthearing brief, exhibit 8, note to table 1.

[31] U.S. importers' questionnaire responses, section II-3.

Table VII-7
OCTG: U.S. importers' orders after September 30, 2009

Source	Quantity (*in short tons*)					
	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010
Imports from--						
China	***	0	0	0	0	0
All other sources	***	24,168	20,547	27,551	8,582	4,210
Total	***	24,168	20,547	27,551	8,582	4,210

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

ANTIDUMPING INVESTIGATIONS IN THIRD-COUNTRY MARKETS

On March 10, 2008, the Canadian International Trade Tribunal ("CITT") issued a finding that "the dumping and subsidizing of seamless carbon or alloy steel oil and gas well casing originating in or exported from the People's Republic of China have not caused injury but are threatening to cause injury to the domestic industry." The CITT's inquiry covered seamless carbon or alloy steel oil and gas well casing, whether plain end, beveled, threaded or threaded and coupled, heat-treated or non-heat-treated, meeting American Petroleum Institute specification 5CT, with an outside diameter not exceeding 11.75 inches (298.5 mm), in all grades, including proprietary grades.[32]

On October 23, 2009, CITT issued a preliminary determination that there is evidence that discloses a reasonable indication that dumping and subsidizing of OCTG originating in or exported from the People's Republic of China, made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2⅜ inches to 13⅜ (60.3mm to 339.7mm), meeting or supplied to meet API specification 5CT or equivalent standard, in all grades, excluding drill pipe and excluding seamless casings up to 11¾ inches (298.5mm) in outside diameter, have caused injury or retardation or are threatening to cause injury.[33]

The European Union conducted an investigation on seamless pipe (including OCTG) from China, and in April 2009 imposed provisional antidumping duties with margins ranging from 35 to 51 percent on seamless pipe "used in a wide variety of applications, like for mechanical uses (including automotive and engineering), in the construction business for piling, for power generation like boiler tubes, as oil country tubular goods (OCTG) used for drilling, casing and tubing in the oil industry, and as line pipes to

[32] *See generally* Canadian International Trade Tribunal, Dumping and Subsidizing Finding And Reasons, Inquiry No. NQ-2007-001, *Seamless Carbon or Alloy Steel Oil and Gas Well Casing*, findings issued March 10, 2008 and Reasons issued March 25, 2008. The report noted that the Canada Border Services Agency (CBSA) had previously determined that the weighted average margin of dumping was 62 percent and that the weighted average amount of subsidy was 19 percent.

[33] *See generally* Canadian International Trade Tribunal, Dumping and Subsidizing Determination, Preliminary Inquiry No. Pl-2009-003, *Oil Country Tubular Goods*, determination issued October 23, 2009. After hearing arguments with respect to tubing, seamless casing, welded casing, green tubes, and coupling stock, the CITT observed that "The Tribunal is unable to conclude, at this preliminary stage, that there is more than one class of goods. For the purposes of determining whether there is a reasonable indication of injury, the Tribunal will consider that OCTG constitute a single class of goods. However, the Tribunal finds that the arguments made in support of coupling stock constituting a separate class of goods from other OCTG merit further consideration." Id., pp. 3-4.

transport liquids or gases."[34] Subsequently, the European Union imposed definitive antidumping duties ranging from 17 to 39 percent.[35] In addition, the European Union imposed definitive antidumping duties on welded pipe from Belarus, China, and Russia in December 2008.[36] However, the product at issue in those investigations was "welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168,3 mm, *excluding* line pipe of a kind used for oil or gas pipelines, *casing and tubing of a kind used in drilling for oil or gas,* precision tubes and tubes and pipes with attached fittings suitable for conducting gases or liquids for use in civil aircraft."[37]

Russia reportedly concluded its own antidumping duty investigation on steel pipe from China in October 2009. The investigation found that Chinese market share of steel pipe increased from 8.9 percent in 2007 to 14 percent in 2008. A five-year antidumping duty of 29.4 percent has been proposed.[38]

Argentina reportedly instituted an antidumping duty investigation on steel pipe from China on November 4, 2009. The scope of the investigation includes seamless and welded steel pipe with an external diameter less than 10¾ inches. Alloy, carbon, spiral, and straight-seam steel pipe and CR and HR pipes are included in the investigation.[39]

INFORMATION ON NONSUBJECT COUNTRIES

Most published data on steel pipes and tubes distinguish OCTG and line pipe from other forms of pipe (including standard pipe and various forms of structural and mechanical pipe, pressure pipe, and piling). That is, in terms of demand factors, most analysis focuses on energy applications or structural applications, very broadly defined. In addition, published analyses of supply factors are often grouped at an even more aggregate level, combining all forms of seamless pipe and all forms of welded pipe, reflecting in part a commonality among raw materials and some overlap of production facilities and methods. Accordingly, for the purpose of this market review, information and data are provided based on their availability, and may include both subject and nonsubject pipe.

OCTG is produced in substantial quantities by pipe and tube producers throughout the world. The WSA publishes data on the global production of the larger product grouping of all pipe and tube. As shown in tables VII-8 through VII-10, global pipe and tube production, increased significantly between 2004 and 2007 with China accounting for the vast majority of the growth.

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[34] *Official Journal of the European Union*, Commission Regulation (EC) No. 289/2009, L 94/48, April 8, 2009.

[35] *Official Journal of the European Union*, Commission Regulation (EC) No. 926/2009, L 262/19, October 6, 2009.

[36] Postconference brief of petitioner U.S. Steel, p. 45; postconference brief of petitioners TMK IPSCO, V&M, Wheatland, RMSM, and the USWA, p. 24; postconference brief of petitioner Maverick, p. 28 (which also noted a safeguard action in Ukraine covering seamless casing, effective October 1, 2008).

[37] *Official Journal of the European Union*, Commission Regulation (EC) No. 1256/2008, L 343/1, December 19, 2008. (Emphasis added).

[38] "Russia may impose an anti-dumping tariff on China's steel pipe." Alibaba. October 19, 2009, http://news.alibaba.com/article/detail/metalworking/100186174-1-russia-may-impose-an-anti-dumping.html, accessed on November 9, 2009.

[39] "Argentina carried out anti-dumping investigation on China's steel pipe." Alibaba. November 5, 2009, http://news.alibaba.com/article/detail/metalworking/100195594-1-argentina-carried-out-anti-dumping-investigation.html, accessed on November 9, 2009.

Table VII-8
Welded and seamless steel pipe and fittings: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity *(1,000 short tons)*[1]			
North America*:*				
United States	3,363	5,081	5,410	5,049
Canada	2,995	3,127	3,250	2,886
Mexico	1,360	1,462	1,467	1,315
Sub total	7,718	9,668	10,128	9,251
South America:				
Argentina	942	950	963	925
Others	597	595	669	0
Subtotal	1,540	1,545	1,633	925
Asia:				
China	23,693	31,863	38,504	45,481
Japan	9,540	9,318	9,460	9,576
Korea	4,720	4,487	4,549	4,856
Others	3,063	3,099	3,466	3,157
Subtotal	41,017	48,767	55,978	63,069
European Union (15):[2]				
Austria	581	623	702	720
Germany	3,849	4,048	4,339	4,392
Others	9,709	9,630	10,318	11,025
Subtotal	14,139	14,300	15,358	16,137
Others	3,406	3,510	3,103	3,064
Total	67,819	77,792	86,200	92,444

[1] The data presented in this table are for all pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.

[2] The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Source: World Steel Association, *Steel Statistical Yearbook,* 2008.

Table VII-9
Seamless steel pipe: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity (*1,000 short tons*)[1]			
North America:				
United States	2,078	2,184	2,293	1,908
Canada	0	0	0	0
Mexico	748	822	823	732
Subtotal	2,826	3,006	3,116	2,640
South America:				
Argentina	942	950	963	925
Others	597	595	669	0
Subtotal	1,540	1,545	1,633	925
Asia:				
China	9,349	12,608	16,975	20,039
Japan	2,105	2,237	2,307	2,281
Korea	19	21	22	22
Others	([2])	([2])	([2])	([2])
Subtotal	11,473	14,866	19,305	22,341
European Union (15):[3]				
Austria	370	428	473	492
Germany	1,653	1,786	1,958	2,011
Others	2,067	2,103	2,288	2,384
Subtotal	4,091	4,317	4,719	4,886
Others	1,321	1,365	1,517	1,595
Total	21,249	25,098	30,289	32,387

[1] The data presented in this table are for all seamless pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.

[2] Not available.

[3] The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Source: World Steel Association, *Steel Statistical Yearbook,* 2008.

Table VII-10
Welded steel pipe: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity *(1,000 short tons)*[1]			
North America:				
United States	1,166	2,628	2,828	2,849
Canada	2,717	2,837	2,948	2,618
Mexico	555	580	591	529
Subtotal	4,438	6,044	6,368	5,997
South America:				
Argentina	([2])	([2])	([2])	([2])
Others	([2])	([2])	([2])	([2])
Subtotal	([2])	([2])	([2])	([2])
Asia:				
China	13,013	17,468	21,213	23,081
Japan	6,745	6,424	6,489	6,618
Korea	4,265	4,052	4,107	4,385
Others	2,779	2,811	3,106	2,864
Subtotal	26,802	30,755	34,915	36,948
European Union (15)[3]				
Austria	191	177	208	207
Germany	1,992	2,052	2,160	2,160
Others	6,933	6,828	7,284	7,839
Subtotal	9,116	9,057	9,652	10,206
Others	1,892	1,946	1,443	1,333
Total	42,248	47,803	52,378	54,484

[1] The data presented in this table are for all welded pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.

[2] Not available.

[3] The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Source: World Steel Association, *Steel Statistical Yearbook,* 2008.

In early 2008, even as the world's economies slowed, energy-related tubular products remained relatively healthy because sharply rising energy prices kept exploration projects profitable, especially in the United States, the largest market for OCTG.[40] Prices in the U.S. market for OCTG increased sharply to a record level in the summer of 2008 but average spot prices for both seamless and welded OCTG began falling in November, according to Pipe Logix.[41] By April 2009, MBR reported that the welded OCTG market was "in disarray," with the domestic industry virtually shut down, drilling rate falling and inventory building up rapidly.[42] Only recently, in certain areas, such as the Gulf Coast region, have prices begun to stabilize and inventories to decline.[43] In the U.S. market, MBR maintains that since energy prices are climbing, drilling activities and OCTG prices are expected to follow. MBR, however, stresses that OCTG inventory holes are still too small to spark a recovery in prices.[44]

As shown in table VII-11 the United States was the leading import market for OCTG during 2008, while China was the leading exporter. Table VII-12 contrasts the rig counts in the United States with those in the primary countries that export OCTG to the United States.

[40] The demand for tubular products that are related to the housing, construction, transportation, and automotive industries has been sharply reduced. In the energy-related tubular products market, because of the sharply increasing energy prices, activities remained healthy until November when industry observers began to observe signs of reductions in oilfield activities. Metal Bulletin Research, Seamless Steel Tube and Pipe Monthly, August 2008, p. 1; and Mario Guzzo, " OCTG Facing Spillover from Drilling Downturn," American Metal Market, November 19, 2008, found at http://www.amm/2008-11-19__16-53-49.html, retrieved November 19, 2009.

[41] Pipe Logix Inc is a Santa Fe, NM-based subsidiary of energy consulting firm Spears & Associates Inc, Tulsa, OK. Mario Guzzo, " OCTG Facing Spill Over from Drilling Downturn," American Metal Market, November 19, 2008, found at http://www.amm/2008-11-19__16-53-49.html, retrieved November 19, 2009.

[42] Metal Bulletin Research, *Welded Steel Tube and Pipe Monthly*, April 2009, p. 3.

[43] Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, September 2009, p. 3 and Metal Bulletin Research, *Welded Steel Tube and Pipe Monthly*, September 2009, p. 4. *See also* American Metal Market, "OCTG imports rise as duty vs. China leaves gap in US," November 16, 2009.

[44] According to Baker Hughes, the total number of drill rigs running in the United States was 1,161 as of December 11, 2009, an increase of nearly 31 percent from 887, the lowest rig count of the year, that occurred on June 5, 2009. Canadian drill rigs increased by 462 percent to 354 rigs on December 11, 2009, from 63 on May 8, the lowest count of the year.

Table VII-11
OCTG: Net trade positions of major subject and nonsubject countries, 2006-08

Country	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
Imports into:			
China	351,326	219,303	163,659
Japan	1,833	224	36
Argentina	6,953	6,495	6,308
Singapore	196,987	789,256	197,624
Mexico	5,674	23,658	37,486
United States	1,914,937	1,724,800	3,749,140
Germany	13,233	19,323	14,727
Ukraine	21,715	22,067	28,654
Russia	249,841	309,381	348,050
South Korea	4,351	8,956	7,473
France	73,419	75,925	38,370
Austria	6,788	5,212	7,249
Canada	569,457	242,356	456,911
Indonesia	44,379	83,928	229,379
Italy	226	571	498
All others	1,193,247	1,300,197	2,296,015
World	4,654,366	4,831,652	7,581,577
Exports from:			
China	1,299,439	1,927,645	4,280,628
Japan	1,074,892	788,535	855,996
Argentina	469,848	445,621	541,368
Singapore	227,676	217,593	676,710
Mexico	458,987	328,469	324,944
United States	413,491	298,208	366,915
Germany	363,634	289,452	342,435
Ukraine	299,535	293,482	274,354
Russia	353,382	252,102	236,673
South Korea	215,908	227,277	385,514
France	273,998	243,337	259,445
Austria	243,443	232,193	216,309
Canada	150,598	155,269	256,461
Indonesia	48,218	154,783	125,920
Italy	86,205	77,109	149,949
All others	676,722	636,198	745,191
World	6,655,978	6,567,273	10,038,811

Table continued on next page.

Table VII-11--*Continued*
OCTG: Net trade positions of major subject and nonsubject countries, 2006-08

Country	Calendar year		
	2006	2007	2008
Trade balance of:			
China	948,112	1,708,342	4,116,969
Japan	1,073,060	788,311	855,960
Argentina	462,896	439,126	535,060
Singapore	30,689	(571,663)	479,086
Mexico	453,313	304,812	287,458
United States	(1,501,446)	(1,426,592)	(3,382,225)
Germany	350,401	270,129	327,708
Ukraine	277,821	271,415	245,700
Russia	103,541	(57,279)	(111,377)
South Korea	211,557	218,321	378,041
France	200,579	167,412	221,075
Austria	236,655	226,981	209,060
Canada	(418,859)	(87,087)	(200,450)
Indonesia	3,838	70,855	(103,459)
Italy	85,979	76,538	149,451
All others	(516,526)	(663,999)	(1,550,825)
World	2,001,612	1,735,621	2,457,234

Note.--Data excludes Malaysia. Positive numbers presented for "trade balance" show net exports and numbers in parentheses presented for "trade balance" show net imports. Based on top 15 exporting countries over 2006-08.

Note.–With respect to 2009, partial year data indicate that China imported 67,932 short tons, exported 1,390,120 short tons, and maintained a trade balance of 1,322,187 short tons for January-June.

Source: Compiled from the Global Trade Atlas database, HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.

Recently, as China's OCTG exports to the United States declined, replacement imports have reportedly been ordered from India, South Korea, and other suppliers. However, due to currently weak market conditions, these orders remain small, typically ranging from 500 to 1,000 short tons.[45] MBR noted that U.S. seamless OCTG production levels have remained low but stable for most of the year, and that there are signs that producers are increasing production for certain products. Tenaris, for example, has recalled workers and plan to increase production in Canada.[46]

[45] American Metal Market, "*OCTG Imports Rise as Duty vs. China Leaves Gap in U.S.,"* November 13, 2009, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved December 3, 2009.

[46] Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, October 15, 2009, p. 4.

Table VII-12
OCTG: Baker Hughes International Rig Count of selected countries, November 2009

Country	Rig counts		
	Highest (date)	Lowest (date)	November 2009
United States	2,014 (9/08)	895 (6/09)	1,107
Argentina	88 (4/08)	42 (8/09)	56
Austria	3 (10/09)	0 (8/09)	3
Canada	715 (2/06)	72 (5/09)	277
Colombia	43 (6/08)	9 (10/04)	28
Germany	12 (11/08)	2 (12/04)	6
India	98 (10/09)	71 (4/09)	98
Japan	6 (6/08)	1 (1/09)	3
Mexico	130 (9/09)	112 (8/04)	123
All other	N/A	N/A	708
Total	N/A	N/A	2,409

Note.--Data for China, Russia, and Korea are not available.

Source: Baker Hughes International Rig Count, September 2009, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm; retrieved December 17, 2009.

Argentina

According to the U.S. Department of Energy, Argentina is the largest natural gas producer in South America and a net oil exporter.[47] It also had 56 active rotary rigs as of November 2009.[48] In 2008, Argentina was the world's fourth largest exporter of OCTG, exporting over half a million tons, most of which was seamless OCTG.[49]

The primary OCTG producer in Argentina is Tenaris Siderca ("Siderca") with an estimated capacity of approximately *** tons available for the production of seamless API pipe.[50] Siderca is a wholly-owned subsidiary of Tenaris, a leading global tube maker. The company produces a wide range of products including OCTG and line pipe.[51] Siderca is the only known producer of seamless OCTG in

[47] Energy Information Administration, Argentina Energy Profile, April 10, 2009,found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=AR, retrieved May 1, 2009.

[48] Staff telephone interview with ***, May 1, 2009; and International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

[49] Argentina thus was the world's sixth largest producer of OCTG in 2007, according to ***.

[50] ***.

[51] *Simdex Steel Tube Manufacturers Worldwide Guide,* 2009.

Argentina.[52] Casing and tubing are believed to account for the largest share of the company's seamless production operations.[53] Another pipe maker, Tubhier, produces a small amount of welded carbon and low-alloy steel OCTG, line pipe and standard pipe on its two mills in San Luis.

Austria

Austria's domestic market for OCTG is limited since the country has few active rotary rigs.[54] According to Global Trade Atlas, Austria's largest export customer, the United States, accounted for about 43 percent of its OCTG exports in 2008. Other export markets include North Africa, the CIS, and China. In 2008, Austria was the world's thirteenth largest exporter of OCTG, mostly seamless (table VII-11).

Voestalpine Tubulars ("Voestalpine") is the only known OCTG manufacturer in Austria. Its annual production amounts to 385,000 tons covering a wide range of seamless tubes and pipes, including line pipe and drill pipe, up to an outside diameter of 7 inches.[55] Voestalpine is a joint venture between the Voestalpine AG, a steel group located in Austria and the U.S.-based Grant Prideco, one of the world's largest manufacturers of drill pipe and related products.[56] According to an industry source, Voestalpine is a high-quality producer focusing on the high end of the market and its production lines are equipped with modern automatic facilities.[57]

Canada

In 2008, Canada ranked third in the world in natural gas production and seventh in oil production and is a net exporter of natural gas and oil.[58] The rig count for Canada stood at 277 as of November 2009. Early in 2009, the Petroleum Services Association of Canada recently forecasted that there will be 13,500 drilled wells in Canada in 2009. Then on November 5, 2009, the forecast was reduced to 8,000 drilled wells. This is a decrease of over 50 percent from the previous year and a nearly 70-percent decline from a peak of 25,000 wells in 2005. MBR stressed that the Association has revised its forecast downward before and very likely will do so again.[59]

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[52] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. IV-11.

[53] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. IV-11.

[54] According to Baker Hughes, in September 2009, Austria has two active rigs which are classified as "miscellaneous" (i.e., not for the oil or gas industry) and there has been no active rig in Austria at any other time.

[55] Voestalpine's website, found at http://www.vatubulars.com, retrieved May 4, 2009; and staff telephone interview with ***, May 1, 2009.

[56] In this joint venture, each partner owns 50 perecnt of the total equity. Voestalpine's website, found at http://www.vatubulars.com, retrieved May 4, 2009.

[57] This is in line with the EU marketing strategy, which is reportedly to focus on the high end of the market. Staff telephone interview with ***, May 1, 2009.

[58] Energy Information Administration, Canada Energy Profile, October 13, 2009, found at ,http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CA retrieved October 23, 2009.

[59] Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, February 2009, p. 5. Telephone interview with ***, MBR's U.S. Office, November 9, 2009.

*** estimates that Canada has *** short tons of seamless API pipe capacity and *** short tons of API welded pipe capacity.[60] This level serves as an approximated upper limit for production capacity by reporting companies. Several Canadian companies produce casing and tubing. Some of these firms are owned by non-Canadian parent companies. These include the Carlyle Group, a U.S. investment firm, which also owns Wheatland Tube; Evraz, a Russian steel firm which owns OSM-Camrose in Alberta; Evraz-TMK, which purchased IPSCO production facilities both in Canada and in the United States; and Tenaris (Luxembourg), which purchased Maverick in October 2006, complementing its existing Canadian holdings in Calgary and Sault Ste. Marie.

Colombia

According to the U.S. Department of Energy, Colombia is an important oil exporter in South America. During the last few years, its oil production has stabilized after a period of sharp decline. Colombia is self-sufficient in natural gas and has recently begun exporting to Venezuela.[61] As of November 2009, Columbia had 28 active rotary rigs.[62] Most exploration activities were in the Cusiana/Cupiagua area where BP operates the largest of Colombia's oil fields. Others are small fields spreading throughout the eastern Amazonian jungles and the Andes foothills.[63]

In 2008, Colombia's total OCTG exports amounted to 101,000 tons, largely destined to the United States. Turbocaribe is the only known energy tubular producer in Colombia. Founded in 1991, it is wholly-owned by Tenaris with a capacity of 165,000 tons. Tubocaribe produces a wide variety of tubular products including OCTG and line pipe. Most of these are welded pipes for the North and South American markets.[64]

Germany

Germany imports nearly all of its oil; [65] the Baker Hughes rig count for Germany as of November 2009 was 6. Nonetheless, Germany is the largest OCTG manufacturer in Europe, producing *** tons in 2007 as estimated by ***. This is a 14-percent decrease from the peak level in 2006 (table VII-1). The leading OCTG producer in Germany is V&M DEUTSCHLAND GmbH Oil & Gas Division located in Düsseldorf-Rath ("V&M"). In addition to other products, V&M also produces seamless casing and tubing with diameters ranging from 2 3/8 inches to 26 inches. Markets for V&M include the United

[60] ***.

[61] Energy Information Administration, *Colombia Energy Profile*, October 13, 2009, found at http://www.eia.doe.gov/emeu/cabs/Colombia/Oil.html, retrieved October 2009.

[62] International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

[63] Energy Information Administration, *Colombia Energy Profile*, October 13, 2009, found at http://www.eia.doe.gov/emeu/cabs/Colombia/Oil.html, retrieved October 2009.

[64] Tubocaribe company website, found at http://www.tenaris.com/Colombia/es/default.aspx, retrieved May 2, 2009.

[65] The Economist Intelligent Unit, Country Profile 2008, London, p. 16.

States, China, CIS, Eastern Europe, Norway, Austria, Greece and Libya.[66] Overall capacity in Germany to produce seamless and welded API pipe is estimated to be approximately *** short tons.[67]

India

Both the Asian Development Bank and the International Monetary Fund expect India's economy to grow between 6 and 7 percent in 2009 and 2010.[68] Along with its strong economic growth, India's consumption of oil and gas have increased rapidly. Although major new reserves have recently been discovered, India still has to rely on imports to meet its oil and natural gas needs.[69] As of November 2009, India's rig count stood at 98, its highest level.

*** estimates that India produced only *** tons of OCTG in 2007, a fraction of the production of China and the United States (table VII-1). However, Indian steel pipe producers are well known, and include ArcelorMittal, Jindal, and Welspun. In the last few years, India has invested in several facilities to produce welded energy-related tube and pipe. Recent important projects to increase OCTG production in India include: Jindal SAW Limited (***-short ton seamless plant in Maharashtra in 2008), Rastriya Ispat Nigam Limited (***-short ton seamless line in Anhra Pradesh), ISMT Limited (a total expansion of over *** short tons at two existing seamless plants, in Ahmedabad and in Baramati), and United Seamless Tubular Pvt Ltd (***-short ton seamless pipe mill in Andhra Pradesh). Overall capacity to produce API pipe in India is substantial but believed to be directed primarily to line pipe or other non-OCTG pipe.[70]

Japan

Although Japan is the third largest oil consumer behind the United States and China, it has very limited oil and natural gas resources and must rely almost completely on imports to meet its needs.[71] As of November 2009, Japan had only 3 active rotary rigs.[72] As such, Japan exports almost all of its OCTG production.

According to ***, Japan produced *** of OCTG in 2007, ranking third, behind China and the United States (table VII-1).[73] In a 2007 review, Sumitomo was identified as the largest Japanese producer of OCTG; the second largest was Nippon Steel, followed by NKK Tubes.[74] Japanese capacity to produce

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[66] Company's website, found at http://www.vmtubes.com/jsp/epctrl.jsp?con=vmtubes000117&cat=vmtubes000032&mod=vmtubes000019&pri=vmtubes&lng=1, retrieved May 4, 2009.

[67] ***.

[68] "ADB Lifts Growth Forecasts for India in 2009 and 2010 to 6 Percent and 7 Percent," *Asian Development Bank*, September 22, 2009, found at http://www.abd.org, retrieved October 19, 2009; and "Report for Selected Countries and Subjects," *International Monetary Fund*, found at http://www.imf.org, retrieved October 19, 2009.

[69] Energy Information Administration, India Energy profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IN, retrieved May 1, 2009.

[70] Petition, ***, Attachment I-22, p. 1-7.

[71] Energy Information Administration, Japan Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=Ja, retrieved May 1, 2009.

[72] Petition, ***, Attachment I-22.

[73] International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

[74] *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, pp. IV-15-16.

seamless and welded API pipe (as well as other tubular products) has been estimated as approaching *** short tons.[75]

Korea

Korea is Asia's fourth largest economy but has very little in the way of energy resources. It is the world's fifth-largest net importer of oil and must import all its oil needs. It is also the second-largest importer of liquefied natural gas after Japan.[76] Korea has no domestic crude oil production and no active rotary rig. Therefore, essentially all Korean OCTG production is for export. According to a Korean trade executive, Korea's product quality is expected to rank between China at the low end and Japan at the high end.[77] Reportedly, Korean companies import hot-rolled coil from China for the production of the commodity grade OCTG. For higher grades, Korean producers either use their own steel or import from Japan.[78]

Overall, Korean OCTG production was estimated to be *** short tons in 2007, although its capacity to produce welded API pipe (and other tubular products) was approximately *** short tons.[79] In terms of capacity, Hyundai Hysco is the largest OCTG producer in Korea, followed by SeAH Steel, and Husteel. All are producers of welded pipe and tube.

Korean companies are active in the global steel tube and pipe industry. Posco, the world's third-biggest steelmaker, and Metinvest, Ukraine's biggest iron ore miner and second-biggest steel producer, are engaging in discussion for a wide range of joint projects including steel tube and pipe production.[80]

Mexico

In 2008, Mexico was the world's seventh-largest oil producer and the third largest in the Western Hemisphere. Mexico is an important non-OPEC oil exporter. Petróleos Mexicanos (PEMEX), Mexico's state-owned petroleum monopoly, is one of the largest oil companies in the world in terms of revenue.[81] As of November 2009, Mexico has 123 active rotary rigs.[82] Mexican rig count has been stable, fluctuating between 112 and 130 during the last 5 years. As such, Mexico has a large domestic market for OCTG. During 2006-08, Mexico's total OCTG exports declined by over 134,000 tons (more than 29 percent) to 324,944 tons. The overwhelming majority of Mexico's OCTG exports are seamless.

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[75] ***.

[76] Energy Information Administration, "Korea, South Energy profile," Energy Information Administration, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=KO, retrieved May 1, 2009.

[77] Staff telephone interview with an executive from ***, May 1, 2009.

[78] Staff telephone interview with an executive from ***, May 1, 2009.

[79] ***.

[80] "Seeking New Business Opportunities in Ukraine's Steel Industry and Raw Materials," POSCO News Release, October 9, 2009, found at http://www.posco.com/homepage/docs/eng/jsp/prcenter/news/s91c1010025v.jsp?idx=1150 retrieved October 28, 2009. "Posco and Metinvest Mull "Wide Range" of Joint Projects," *Metal Bulletin*, October 7, 2009, found at http://www.metalbulletin.com/Article/2311069/Posco-and-Metinvest-mull-quotwide-rangequot-of-joint-projects.html retrieved October 27, 2009.

[81] Energy Information Administration, Mexico Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=MX, retrieved May 1, 2009.

[82] International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

Nearly a quarter of Mexico's OCTG exports go to the United States. Other important export destinations include Venezuela, Colombia, and the Middle East.

According to ***, Mexico produced *** tons of OCTG in 2007, a decrease of *** percent from its 2006 production level (table VII-1). The large majority of Mexico's OCTG production is seamless casing and tubing. The largest of Mexico's OCTG producers is Tenaris TAMSA ("TAMSA"), a wholly-owned subsidiary of Tenaris.[83] TAMSA is an integrated steel producer that can provide a wide range of seamless tubular products including line pipe, casing and tubing, drill pipe, standard pipe, and pressure tubes with 7 production lines and outside diameters ranging from 2.375 inches to 14 inches. Tenaris has reportedly planned to add to its capacity in Mexico.[84] Currently, installed seamless API pipe capacity in Mexico is estimated to be *** short tons.[85] In 2007, TAMSA stated that it was focusing on improving quality of the product rather than expanding capacity. It also stressed that its main goal was to supply OCTG to PEMEX, as it anticipated Maverick supplying the U.S. market.

Recent OCTG Operations in Select Nonsubject Countries

Staff requested that U.S. producers provide a statistical profile of their related OCTG operations in nonsubject countries. These operations account for a substantial portion or even essentially all of the OCTG production in several of the leading nonsubject countries supplying the United States with OCTG. Additional information concerning petitioners' pipe capacity and production, and OCTG capacity, production, and shipments are presented in table VII-13.

Table VII-13
OCTG: Selected foreign producers' trade data, 2008, January-September/October 2008, and January-September/October 2009

* * * * * * *

[83] Tenaris is a leading global supplier of steel tubes and related services for the world's energy industry and certain other industrial applications.

[84] Metal Bulletin Research, Seamless Steel Tube and Pipe Monthly, April 2009, p. 5.

[85] ***. Simdex reports that seamless capacity of TAMSA is 860,000 short tons. The Simdex Steel Tube Manufacturers Worldwide Guide, Mexico, Tenaris TAMSA 2009.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–463 and 731–TA–1159 (Preliminary)]

Certain Oil Country Tubular Goods from China; Determinations

On the basis of the record [1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 19 U.S.C. 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of certain oil country tubular goods (OCTG) provided for in subheadings 7304.29, 7305.20 and 7306.29 of the Harmonized Tariff Schedule of the United States. OCTG imported from China are alleged to be subsidized and sold in the United States at less than fair value (LTFV).

Commencement of Final Phase Investigations

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the **Federal Register** as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations,

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

have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

Background

On April 8, 2009, a petition was filed with the Commission and Commerce by Maverick Tube Corporation, Houston, TX; United States Steel Corporation, Dallas, TX; V&M Star LP, Houston, TX; V&M Tubular Corporation of America, Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp., Wheatland, PA; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC, Pittsburgh, PA. Accordingly, effective April 8, 2009, the Commission instituted countervailing duty investigation No. 701–TA–463 and antidumping duty investigations No. 731–TA–1159 (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 April 8, 2009 (74 FR 16009). The conference was held in Washington, DC, on April 29, 2009, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on May 26, 2009. The views of the Commission are contained in USITC Publication 4081 (June 2009), entitled Certain Oil Country Tubular Goods from China: Investigation Nos. 701–TA–463 and 731–TA–1156–1159 (Preliminary).

William R. Bishop,

Acting Secretary.

[FR Doc. E9–13526 Filed 6–9–09; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–463 (Final) and 731–TA–1159 (Final)]

Certain Oil Country Tubular Goods From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of countervailing duty and antidumping investigations.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of countervailing duty investigation No. 701–TA–463 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the Act) and the final phase of antidumping investigation No. 731–TA–1159 (Final) under section 735(b) of the Act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized and less-than-fair-value imports from China of certain oil country tubular goods, primarily provided for in subheadings 7304.29, 7305.20 and 7306.29 of the Harmonized Tariff Schedule of the United States.[11]

For further information concerning the conduct of this phase of the investigations, hearing procedures, 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 C (19 CFR part 207).

DATES: *Effective Date:* September 15, 2009.

FOR FURTHER INFORMATION CONTACT: Fred Ruggles (202–205–3187 or *fred.ruggles@usitc.gov*), 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. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—The final phase of these investigations is being scheduled as a result of affirmative preliminary determinations by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in China of certain oil country tubular goods, and that such products are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigations were requested in a petition filed on April 8, 2009, by Maverick Tube Corporation, Houston, TX; United States Steel Corporation, Dallas, TX; V&M Star LP, Houston, TX; V&M Tubular Corporation of America, Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp., Wheatland, PA; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC, Pittsburgh, PA.

The Department of Commerce has postponed its preliminary determination as to whether imports of certain oil country tubular goods from China are being, or are likely to be sold, in the United States at less than fair value.[22] For purposes of efficiency, the Commission is scheduling the final phase of the antidumping investigation concerning China so that it may proceed concurrently with the Commission's countervailing duty investigation concerning China.

Participation in the investigations and public service list.—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of these

[11] For purposes of these investigations, the Department of Commerce has defined the subject merchandise as ''OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.,* whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (''API'') or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.''

[22] Certain Oil Country Tubular Goods from the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigations, 74 FR 43098, August 26, 2009. Commerce is scheduled to make its preliminary determinations by November 4, 2009.

investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigations need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of these investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigations. A party granted access to BPI in the preliminary phase of the investigations need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in the final phase of these investigations will be placed in the nonpublic record on November 16, 2009, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the final phase of these investigations beginning at 9:30 a.m. on December 1, 2009, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before November 25, 2009. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on November 30, 2009, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 business days prior to the date of the hearing.

Written submissions.—Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is November 23, 2009. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules.

The deadline for filing posthearing briefs is December 8, 2009; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations, including statements of support or opposition to the petition, on or before December 8, 2009. On December 23, 2009, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before December 28, 2009, but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 Fed. Reg. 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's 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 title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

Issued: September 25, 2009.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E9–23562 Filed 9–29–09; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–943]

Certain Oil Country Tubular Goods From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination

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

DATES: *Effective Date:* November 17, 2009.

SUMMARY: The Department of Commerce (''Department'') preliminarily determines that certain oil country tubular goods (''OCTG'') from the People's Republic of China (''PRC'') are being, or are likely to be, sold in the United States at less than fair value (''LTFV''), as provided in section 733 of the Tariff Act of 1930, as amended (''the Act''). The estimated margins of sales at LTFV are shown in the ''Preliminary Determination'' section of this notice. Pursuant to requests from interested parties, we are postponing the final determination and extending the provisional measures from a four-month period to not more than six months. Accordingly, we will make our final determination not later than 135 days after publication of the preliminary determination.

FOR FURTHER INFORMATION CONTACT: Paul Stolz or Eugene Degnan, AD/CVD Operations, Office 8, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–4474 or 482–0414, respectively.

SUPPLEMENTARY INFORMATION:

Initiation

On April 8, 2009, Maverick Tube Corporation, United States Steel Corporation, TMK IPSCO, V&M Star L.P., V&M Tubular Corporation of America, Wheatland Tube Corp., Evraz Rocky Mountain Steel, and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (collectively, ''Petitioners''), filed a petition in proper form on behalf of the domestic industry and workers

producing OCTG, concerning imports of OCTG from the PRC (''Petition'').[1] The Department initiated this investigation on April 28, 2009.[2]

On June 10, 2009, the United States International Trade Commission (''ITC'') issued its affirmative preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from the PRC of OCTG. The ITC's determination was published in the **Federal Register** on June 10, 2009.[3]

Scope Comments

In accordance with the preamble to our regulations, we set aside a period of time for parties to raise issues regarding product coverage and encouraged all parties to submit comments within 20 calendar days of publication of the *Initiation Notice. See Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27296 27323 (May 19, 1997); *see also Initiation Notice,* 72 FR at 20672. We received no comments from interested parties on issues related to the scope.

Period of Investigation

The period of investigation (''POI'') is October 1, 2008 through March 31, 2009. This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the petition (April 2009).[4]

Comment From Government of China

On October 29, 2009, the Government of the PRC filed a submission to the Department alleging that the Department cannot lawfully apply its non-market economy (''NME'') antidumping methodology to the PRC in the less than fair value investigation of OCTG, while simultaneously applying the countervailing duty (''CVD'') law to the PRC in the parallel CVD OCTG investigation.[5]

The Department disagrees with this claim that application of the NME provisions of the Act concurrently with application of the countervailing duty provisions of the Act is precluded by any provision of law. Accordingly, the Department preliminarily determines to continue to follow its practice in several recent less than fair value investigations of merchandise from China by applying the NME provisions of the Act in accordance with the terms of those provisions, while concurrently conducting the countervailing duty investigation of the same merchandise in accordance with the relevant terms of the Act. Additionally, we note that the GOC assertion relies on GPX International Tire Corp. v United States, Slip Op. 2009–103 (CIT 2009), which is not a final judgment of the Court.

Respondent Selection

In the *Initiation Notice,* the Department stated that it intended to select respondents based on quantity and value (''Q&V'') questionnaires.[6] On April 30, 2009 and May 7, 2009, the Department requested Q&V information from the 212 companies that Petitioners identified as potential exporters or producers of OCTG from the PRC.[7] Additionally, the Department posted the Q&V questionnaire for this investigation on its Web site at *http://www.trade.gov/ia.*

The Department received timely Q&V responses from 43 exporters that shipped merchandise under investigation to the United States during the POI, and from four companies who stated that they had no shipments of merchandise under investigation to the United States during the POI. On July 1, 2009, the Department selected Jiangsu Changbao Steel Tube Co., Ltd. (''Changbao'') and Tianjin Pipe International Economic and Trading Corporation (''TPCO'') as mandatory respondents in this investigation.[8] The Department sent its antidumping duty questionnaire to Changbao and TPCO on July 1, 2009.

Postponement of Final Determination and Extension of Provisional Measures

Pursuant to section 735(a)(2) of the Act, on November 3, 2009, and November 4, 2009, respectively, Changbao and TPCO requested that in the event of an affirmative preliminary determination in this investigation, the Department postpone the final determination by 60 days. Changbao and TPCO also each requested that the Department extend the application of the provisional measures prescribed under 19 CFR 351.210(e)(2) from a four-month period to a six-month period. In accordance with section 733(d) of the Act and 19 CFR 351.210(b), because (1) our preliminary determination is affirmative, (2) the requesting exporters account for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the requests and are postponing the final determination until no later than 135 days after the publication of this notice in the **Federal Register.** Suspension of liquidation will be extended accordingly.

Targeted Dumping Allegation

On September 21, 2009, Petitioners requested that the Department extend the deadline for the submission of targeted dumping allegations to October 16, 2009, stating that they required additional time to analyze data because TPCO had just recently submitted an almost entirely new U.S. sales database, and Petitioners believed significant questions remained regarding whether Changbao had reported the full universe of its U.S. sales. The Department granted Petitioners' request, and on October 16, 2009, Petitioners filed allegations of targeted dumping which were based on the p/2 targeted dumping methodology used in the less than fair value investigation of coated free sheet paper from the Republic of Korea. *See Notice of Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper From the Republic of Korea,* 72 FR 60630 (October 25, 2007). However, the current targeted dumping methodology used by the Department is the methodology employed in *Certain Steel Nails From the United Arab Emirates: Notice of Final Determination of Sales at Not Less Than Fair Value,* 73 FR 33985 (June 16, 2008) (''*Nails*'').

Given the timing of the allegations, the Department was unable to address the targeted dumping allegations for this preliminary determination. The Department will request that the Petitioner file additional information, in conformance with the methodology used in *Nails,* after the preliminary determination. We intend to then issue a preliminary finding regarding these allegations, after the preliminary determination but with sufficient time to allow all parties time to comment before the final determination.

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[1] *See* Petition for the Imposition of Antidumping and Countervailing Duties Pursuant to Sections 701 and 731 of the Tariff Act of 1930, as Amended, filed on April 8, 2009.

[2] *See Oil Country Tubular Goods From the People's Republic of China: Initiation of Antidumping Duty Investigation,* 74 FR 20671 (May 5, 2009) (''*Initiation Notice*'').

[3] *See Certain Oil Country Tubular Goods From China,* 74 FR 27559 (June 10, 2009); *see also Certain Oil Country Tubular Goods From China: Investigation Nos. 701–TA–463 and 731–TA1159* (*Preliminary*) USITC Publication 4081 (June 2009).

[4] *See* 19 CFR 351.204(b)(1).

[5] *See* Certain Oil Country Tubular Goods From the People's Republic of China: Simultaneous Application of the Department's Current Non-Market Economy Antidumping Methodology and Countervailing Duty Law to China (October 29, 2009).

[6] *See Initiation Notice,* 74 FR at 20676.

[7] *See* Petition at Vol 1., Exhibit I–6.

[8] *See* July 1, 2009, Memorandum to Wendy J. Frankel, Director, Office 8, from Eugene Degnan, Acting Program Manager, Office 8, regarding Selection of Respondents for the Antidumping Investigation of Certain Oil Country Tubular Goods From the People's Republic of China (''Respondent Selection Memo'').

Critical Circumstances

On April 8, 2009, Petitioners alleged that there is a reasonable basis to believe or suspect critical circumstances exist with respect to the antidumping investigation of OCTG from the PRC. On October 2, 2009, TPCO and Changbao submitted information on their exports of OCTG from November 2008 through August 2009, as requested by the Department.[9] In accordance with 19 CFR 351.206(c)(2)(i), because Petitioners submitted critical circumstances allegations more than 20 days before the scheduled date of the preliminary determination, the Department must issue preliminary critical circumstances determinations not later than the date of the preliminary determination.

Section 733(e)(1) of the Act provides that the Department will preliminarily determine that critical circumstances exist if there is a reasonable basis to believe or suspect that: (A)(i) There is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise; or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales; and (B) there have been massive imports of the subject merchandise over a relatively short period. Section 351.206(h)(1) of the Department's regulations provides that, in determining whether imports of the subject merchandise have been ''massive,'' the Department normally will examine: (i) The volume and value of the imports; (ii) seasonal trends; and (iii) the share of domestic consumption accounted for by the imports. In addition, section 351.206(h)(2) of the Department's regulations provides that an increase in imports of 15 percent during the ''relatively short period'' of time may be considered ''massive.'' Section 351.206(i) of the Department's regulations defines ''relatively short period'' as normally being the period beginning on the date the proceeding begins (*i.e.*, the date the petition is filed) and ending at least three months later (*i.e.*, the comparison period). The comparison period is normally compared to a corresponding period prior to the filing of the petition (*i.e.*, the base period). The regulations also provide, however, that if the Department finds that importers, exporters, or producers had reason to believe, at some time prior to the beginning of the proceeding, that a proceeding was likely, the Department may establish the base and comparison periods based on the earlier date.[10] In their critical circumstances allegation, the petitioners allege that exporters and producers had reason to believe a proceeding covering OCTG from the PRC would likely be instituted as of July 2008.[11] Consequently, the petitioners request that the Department use January through June 2008 as the base period and July through December 2008 as the comparison period.

In this allegation, the petitioners assert that producers and exporters had reason to believe a proceeding was likely well in advance to the ultimate filing of the petition based on the following events: An October 2007 conference presentation alluding to a possible ''trade case;'' [12] the Department's November 2007 CVD determinations covering carbon quality steel pipe and light-walled rectangular pipe and tube; Canada's March 2008 imposition of antidumping (''AD'') and CVD on ''seamless carbon or alloy steel oil and gas well casings;'' [13] a March 2008 statement from a PRC distributor of OCTG that ''only the issuing of anti-dumping duties will be able to cut imports from China;'' the Department's initiation of AD and CVD proceedings on certain circular welded carbon quality steel line pipe from the Republic of Korea and the PRC; the May and June affirmative findings by the ITC and the Department regarding the above-mentioned pipe cases; a June 2008 Associated Press article which states that the other pipe rulings ''could be the first of a wave of victories by U.S. companies battling Chinese imports;'' and, in July 2008, the European Union (''EU'') initiated AD investigations of seamless tubular products from the PRC.[14] The petitioners allege that these events culminated in the July 21, 2008, warning by Hou Yin of China Iron & Steel Association that ''the U.S. may start an anti-dumping investigation on Chinese seamless pipes soon.'' [15]

Although the Department has found producers and exporters had reason to believe that a proceeding was likely prior to a petition being filed in prior cases,[16] the evidence put forth by the petitioners in this case does not indicate that producers and exporters here had reason to believe that a proceeding was likely as of July 2008. The petitioners point to a litany of events dating back to October 2007 to indicate that the industry was on notice of a potential case. The petitioners point primarily to a reported statement by a representative of the China Iron & Steel Association that ''the U.S. may start an anti-dumping investigation on Chinese seamless pipes soon, following the EU.'' [17] This statement, taken in the context of the other events cited by the petitioners, is not enough to demonstrate that producers, exporters, and importers of OCTG from the PRC had, or should have had, reason to believe the filing of a petition was likely as of July 2008. The events cited by the petitioners, unlike the events the Department has relied on in similar cases,[18] are speculative and do not refer

[9] *See* Letter from TPCO, ''TPCO's Submission of Monthly Shipment Information: Certain Oil Country Tubular Goods (OCTG) from China,'' dated October 2, 2009, (TPCO's Monthly Shipment Data) at Attachment I. *See also* Letter from Changbao, ''Antidumping Duty Investigation: Certain Oil Country Tubular Goods from the People's Republic of China (A–570–943)—Critical Circumstances Questionnaire Response,'' dated October 2, 2009, (Changbao's Monthly Shipment Data) at 3.

[10] *See* 19 CFR 351.206(i).

[11] *See* Volume IV of the petition at 3–8.

[12] *See* Volume IV of the petition at 4 and page 15 of Exhibit V, which states, in relevant part: ''Those who believe that OCTG prices could spike also argue that a trade case could soon be filed against Chinese OCTG producers. But that case may be hard to argue with imports in general declining and mills reporting strong profits.''

[13] *http://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev-eng.html#SeamlessCasing*

[14] *See* Volume IV of the Petition (''Critical Circumstances Allegation'') at 3–7 and Exhibits IV–1 through IV–7.

[15] *See* Critical Circumstances Allegation at 6–7 and Exhibit IV–8.

[16] *See, e.g., Notice of Final Antidumping Duty Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam,* 68 FR 37116 (June 23, 2003), and accompanying Issues and Decision Memorandum at Comment 7 (finding reason to believe a case was likely based upon widely disseminated newspaper articles stating: ''America's catfish industry, stung by dropping prices triggered by a flood of cheaper fish from Vietnam, is gearing up for a possible antidumping campaign'' and ''Vietnamese seafood exporters are entering a new war on the U.S. market, as American rivals are lobbying on an anti-dumping taxation''); and *Notice of Final Determination of Sales at Less Than Fair Value: Carbon and Certain Alloy Steel Wire Rod From Germany,* 67 FR 55802 (August 30, 2002), and accompanying Issues and Decision Memorandum at Comment 6 (finding reason to believe a case was likely based upon trade publication which ''alerted steel wire rod importers, exporters, and producers the proceedings concerning the subject merchandise were likely in a number of countries'').

[17] *See* Volume IV of the petition at Exhibit IV–8.

[18] *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp From the People's Republic of China,* 69 FR 70997 (December 8, 2004) at Comment &A. *See also Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets From the Socialist Republic of Vietnam,* 68 FR 4986 (January 31, 2003), unchanged in the final determination, *Notice of Final Antidumping Duty Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets*

Continued

specifically to subject merchandise. Therefore, we find that the petitioners have not demonstrated that importers, exporters, or producers, had reason to believe, at some time prior to the beginning of the proceeding that a proceeding covering OCTG from the PRC was likely.

In further determining whether the above statutory criteria have been satisfied, we examined: (1) The evidence presented in Petitioners' April 8, 2009, petition and (2) additional information obtained from TPCO and Changbao.[19]

In accordance with section 733(e)(1)(A)(i) of the Act, to determine whether there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, the Department generally considers current or previous antidumping duty orders on subject merchandise from the country in question in the United States and current orders in any other country with regard to imports of subject merchandise. Petitioners noted that Canada placed an antidumping duty order on seamless carbon or alloy steel oil and gas well casings effective March 10, 2008.[20] We have reviewed this order and found that the product coverage overlaps the product coverage of the Department's AD investigation of OCTG from the PRC. We are not aware of the existence of any additional antidumping orders on OCTG from the PRC, whether in the United States or other countries. However, as a result of the Canadian order cited above, the Department finds there is a history of injurious dumping of OCTG from the PRC pursuant to section 733(e)(1)(A)(i) of the Act.

In accordance with Section 733(e)(1)(A)(ii) of the Act, to determine whether importers of OCTG from the PRC knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales, the Department must rely on the facts before it at the time the determination is made. The Department generally bases its decision with respect to knowledge on the margins calculated in the preliminary antidumping duty determination and the ITC preliminary injury determination.

The Department normally considers margins of 25 percent or more for export price (''EP'') sales and 15 percent or more for constructed export price (''CEP'') sales sufficient to impute importer knowledge of sales at LTFV.[21] In this preliminary determination, TPCO has a margin of 34.86 percent for CEP sales and 58.01 percent for EP sales. Changbao has a margin of zero percent for its sales, all of which were EP transactions.[22] Consistent with Department practice, we base the margin for the separate-rate respondents on the average of the margins calculated for the mandatory respondents, excluding any rates that are zero, *de minimis,* or based entirely on AFA.[23] Accordingly, because Changbao's preliminary margin was zero, we have preliminarily applied to the separate-rate companies a margin of 36.53 percent, based on TPCO's margin. The PRC Entity has a margin of 99.14 percent.[24] We find that the preliminary antidumping duty margin for Changbao is not sufficient to impute knowledge to its importers of sales at LTFV of OCTG from the PRC. However, we find that the preliminary margins for TPCO, the separate-rate companies and the PRC-entity are sufficient to impute such knowledge.

In determining whether there is a reasonable basis to believe or suspect that an importer knew or should have known that there was likely to be material injury by reason of dumped imports, consistent with section 733(e)(1)(A)(ii) of the Act, the Department normally will look to the preliminary injury determination of the ITC.[25] On June 10, 2009, the ITC issued its preliminary affirmative determination for OCTG from the PRC.[26] Accordingly, based on the above analysis, the Department finds that there is a reasonable basis to believe or suspect that the importers knew or should have known that there was likely to be material injury by reason of sales at LTFV of OCTG from the PRC from TPCO, the separate-rate companies, and the PRC entity.

In accordance with section 733(e)(1)(B) of the Act, the Department must determine whether there have been massive imports of the subject merchandise over a relatively short period. Pursuant to 19 CFR 351.206(h), we will not consider imports to be massive unless imports in the comparison period have increased by at least 15 percent over imports in the base period. As discussed above, the Department normally determines the comparison period for massive imports based on the filing date of the petition. Based on the April 8, 2009 filing date, we have determined that April 2009 is the month in which importers, exporters or producers knew or should have known an antidumping duty investigation was likely. Additionally, we have used a period of five months as the period for comparison in preliminarily determining whether imports of the subject merchandise have been massive. We believe that a five-month period is most appropriate as the basis for analysis because using five months captures all data available at this time, based on April 2007 as the beginning of the comparison period. Additionally, a five-month period properly reflects the ''relatively short period'' set forth in the statute for determining whether imports have been massive.[27] It is our practice to base the critical circumstances analysis on all available data, using base and comparison periods of no less than three months.[28]

from the Socialist Republic of Vietnam, 68 FR 37116 (June 23, 2003).

[19] *See* TPCO's Monthly Shipment Data and Changbao's Monthly Shipment Data.

[20] *See* Volume IV of the April 8, 2008 Petition at 9 and Exhibit IV–3 at 6.

[21] *See, e.g., Carbon and Alloy Steel Wire Rod From Germany, Mexico, Moldova, Trinidad and Tobago, and Ukraine: Notice of Preliminary Determination of Critical Circumstances,* 67 FR 6224, 6225 (February 11, 2002).

[22] *See* Memorandum to the File, ''Antidumping Investigation of Certain Oil Country Tubular Goods from the People's Republic of China, Critical Circumstances Data and Calculations for the Preliminary Determination,'' dated January 24, 2008 (''Critical Circumstances Calculation Memorandum''), at Attachments II and III.

[23] *See, e.g., Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China,* 71 FR 77373, 77377 (December 26, 2006) (''PSF''), unchanged in *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China,* 72 FR 19690 (April 19, 2007), see also the ''Separate Rates'' section.

[24] *Id.*

[25] *See, e.g., Lemon Juice from Argentina: Preliminary Determination of Sales at Less than Fair Value and Affirmative Preliminary Determination of Critical Circumstances,* 72 FR 20820, 20828 (April 26, 2007).

[26] *See Investigation Nos. 701–TA–463 and 731–TA–1159 (Preliminary), Certain Oil Country Tubular Goods from China; Determinations, 74 FR 27559, June 10, 2009 (''ITC Preliminary Determination''*).

[27] *See* section 733(e)(1)(B) of the Act.

[28] *See Notice of Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Affirmative Preliminary Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from India,* 69 FR 47111 (August 4, 2004) unchanged in the final determination, (*Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From India,* 69 FR 76916 (December 23, 2004)); and *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China,* 69 FR 20594 (Apr. 16, 2004), and accompanying Issues and Decision Memorandum at Comment 3.

Therefore, we have used all available data in our critical-circumstances analysis for the preliminary determination. In applying the five-month period, we used a base period of November 2008 through March 2009, and a comparison period of April 2009 through August 2009.

Mandatory Respondents

The Department used the shipment data of TPCO and Changbao to examine the relevant base and comparison periods as identified above. When we compared these companies' import data during the comparison period with the base period, we found that imports fell during the comparison period over the base period.[29] Therefore, because imports in the comparison period have not increased by at least 15 percent over imports in the base period, we do not consider them to be massive pursuant to section 351.206(h) of the Department's regulations.

Separate-Rate Applicants

For the separate-rate applicants, we did not request the monthly shipment information necessary to determine if there were massive imports. As the basis to measure whether massive imports existed for purposes of critical circumstances, we relied on the experience of the mandatory respondents receiving a separate rate. When we compared the weighted-average import data during the comparison period with the weighted average import data during the base period for the mandatory respondents, we found that the weighted-average volume of imports of OCTG in the comparison period did not have an increased volume of exports over the base period of greater than 15 percent.[30] In applying this result to the separate rate applicants, we do not find the imports of the separate-rate applicants to be massive pursuant to section 351.206(h) of the Department's regulations.

The PRC Entity

Because the PRC entity did not respond to our Q&V questionnaire, we were unable to obtain shipment data from the PRC entity for purposes of our critical-circumstances analysis and there is, therefore, no verifiable information on the record with respect to its export volumes. Section 776(a)(2) of the Act provides that:

If an interested party or any other person (A) withholds information that has been requested by the administering authority or the Commission under this title, (B) fails to provide such information by the deadlines for submission of the information or in the form and manner requested, subject to subsections (c)(I) and (e) of section 782, (C) significantly impedes a proceeding under this title, or (D) provides such information but the information cannot be verified as provided in section 782(i), the administering authority and the Commission shall, subject to section 782(d), use the facts otherwise available in reaching the applicable determination under this title.

The statute requires that certain conditions be met before the Department may resort to the facts otherwise available. When the Department determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that the Department will so inform the party submitting the response and will, to the extent practicable, provide that party the opportunity to remedy or explain the deficiency. Because the PRC entity did not respond to the Department's request for information, we find that the PRC entity withheld requested information and, thus, significantly impeded this proceeding. Therefore, we have preliminarily determined to use facts available, in accordance with section 776(a)(2)(A) and (C) of the Act in determining whether there were massive imports of merchandise produced by the PRC entity.

Section 776(b) of the Act provides that if the Department finds that the respondent ''has failed to cooperate by not acting to the best of its ability to comply with a request for information {the Department} may use an inference that is adverse to the interests of that party in selecting from among the facts otherwise available.'' We have determined that, in not responding to the Department's questionnaires, the PRC entity has not acted to the best of its ability and an adverse inference is warranted.'' Thus, we have made an adverse inference that there were massive imports from the PRC entity over a relatively short period.

In this case, the HTS numbers listed in the scope of the investigation include both subject merchandise and non-subject merchandise, and thus, we were not able to distinguish the amounts of shipments accounted for by the mandatory and separate rate respondents from the amount of shipments accounted for by the PRC Entity with respect to subject merchandise.'' [31] Accordingly, we were not able to use the U.S. Census Bureau data to corroborate our adverse inference. However, as the SAA states, ''The fact that corroboration may not be practicable in a given circumstance will not prevent the agencies from applying an adverse inference under subsection (b).'' [32] We will make a final determination concerning critical circumstances for all producers/exporters of subject merchandise from the PRC when we make our final dumping determination in this investigation.

Critical Circumstances Findings

Based on the above analysis, we preliminarily determine that critical circumstances do not exist for Changbao, TPCO or the separate-rate respondents. Further, we preliminarily determine that critical circumstances do exist with respect to imports of the PRC entity.

Separate Rate Applications

Between May 15, 2009, and July 7, 2009, we received timely-filed separate-rate applications (''SRA'') from 38 companies.

Product Characteristics & Questionnaires

In the *Initiation Notice,* the Department asked all parties in this investigation for comments on the appropriate product characteristics of OCTG to be reported in response to the Department's antidumping questionnaires. On May 18, 2009, we received comments from Petitioners and TPCO regarding product characteristics. On May 26, 2009, Petitioners provided rebuttal comments concerning the appropriate product characteristics.

On July 1, 2009, the Department issued its antidumping duty questionnaire to TPCO and Changbao. TPCO submitted its Section A response to the Department's questionnaire on July 30, 2009, and Sections C and D responses on August 20 and 24, 2009, respectively. Changbao submitted its Section A response to the Department's questionnaire on July 29, 2009, and Sections C and D responses on August 19, 2009. The Department issued several supplemental questionnaires to both Changbao and TPCO between August and October 2009. Both parties

[29] *See* Critical Circumstances Calculation Memorandum at Attachment I.

[30] *See* Critical Circumstances Calculation Memorandum at Attachment I.

[31] *See Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in coils from Japan, Part II,* 64 FR 30574, 30585 (June 8, 1999).

[32] *See* Statement of Administrative Action (''SAA'') accompanying the Uruguay Round Agreements Act, H. Doc. No. 316, 103d Cong., 2d Session, Vol. 1 (1994) at 870.

responded timely to those supplemental questionnaires.

Surrogate Country Comments

On July 31, 2009, the Department determined that India, the Philippines, Indonesia, Colombia, Thailand and Peru are countries comparable to the PRC in terms of economic development, and requested comments on surrogate country selection from the interested parties in this investigation.[33] On September 1, 2009, Petitioners submitted surrogate country comments stating that the Department should select India as a surrogate country and TPCO indicated that it did not object to the use of India as a surrogate country. No other interested parties commented on the selection of a surrogate country. For a detailed discussion of the selection of the surrogate country, *see* ''Surrogate Country'' section below.

Surrogate Value Comments

On September 11, 2009, TPCO and Changbao submitted surrogate value comments. On September 14, 2009, Petitioners submitted surrogate value comments. On September 18, 2009, Changbao submitted rebuttal comments to Petitioner's September 14, 2009 submission. On September 18, 2009, Petitioners submitted rebuttal comments to TPCO's September 11, 2009, surrogate value submission and rebuttal comments to TPCO and Changbao's September 11, 2009, surrogate value submissions.

Scope of Investigation

The merchandise covered by the investigation consists of certain oil country tubular goods (''OCTG''), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.,* whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (''API'') or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise covered by the investigation is currently classified in the Harmonized Tariff Schedule of the United States (''HTSUS'') under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The OCTG coupling stock covered by the investigation may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80.

The HTSUS subheadings are provided for convenience and customs purposes only, the written description of the scope of the investigation is dispositive.

Non-Market Economy Country

For purposes of initiation, Petitioners submitted LTFV analyses for the PRC as an NME. *See Initiation Notice,* 74 FR at 20674. The Department considers the PRC to be a NME country. *See Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Coated Free Sheet Paper from the People's Republic of China,* 72 FR 30758, 30760 (June 4, 2007), unchanged in *Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China,* 72 FR 60632 (October 25, 2007). In accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. The Department has not revoked its determination that the PRC is an NME country, and no party has challenged the designation of the PRC as an NME country in this investigation. Therefore, we continue to treat the PRC as an NME country for purposes of this preliminary determination.

Surrogate Country

When the Department is investigating imports from an NME, section 773(c)(1) of the Act directs it to base normal value, in most circumstances, on the NME producer's factors of production (''FOPs'') valued in a surrogate market-economy country or countries considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department shall utilize, to the extent possible, the prices or costs of FOPs in one or more market-economy countries that are at a level of economic development comparable to that of the NME country and are significant producers of comparable merchandise. The sources of the surrogate values we have used in this investigation are discussed under the ''Normal Value'' section below.

The Department determined that India, the Philippines, Indonesia, Colombia, Thailand and Peru are countries comparable to the PRC in terms of economic development.[34] Once the countries that are economically comparable to the PRC have been identified, we select an appropriate surrogate country by determining whether an economically comparable country is a significant producer of comparable merchandise and whether the data for valuing FOPs is both available and reliable.[35] In their September 1, 2009, submission, Petitioners argued that the Department should select India as a surrogate country because it satisfies the statutory requirements for the selection of a surrogate country since it is at a level of economic development that is

[33] *See* Letter to All Interested Parties, ''Antidumping Duty Investigation of Oil Country Tubular Goods from the People's Republic of China: Request for Comments on the Selection of a Surrogate Country and Surrogate Values,'' dated August 14, 2009, attaching the Memorandum to Wendy J. Frankel, ''Request for a List of Surrogate Countries for an Investigation of Oil Country Tubular Goods (''OCTG'') from the People's Republic of China (''PRC''),'' dated July 31, 2009.

[34] *See* Memorandum to Wendy J. Frankel, ''Request for a List of Surrogate Countries for an Investigation of Oil Country Tubular Goods (''OCTG'') from the People's Republic of China (''PRC'') (''Office of Policy Surrogate Countries Memorandum''), dated July 31, 2009.

[35] *See id.*

comparable to the PRC, and is a significant producer of merchandise comparable to the merchandise under investigation. Petitioners also noted that the Department can readily value the major factors of production for subject merchandise using reliable, publicly available data from Indian sources.[36] TPCO stated that it did not object to Petitioners' request that the Department select India as the primary surrogate country for this investigation.[37] No other party provided comments on the record concerning the surrogate country.

We have determined that it is appropriate to use India as a surrogate country pursuant to section 773(c)(4) of the Act based on the following: (1) It is at a similar level of economic development pursuant to section 773(c)(4) of the Act; (2) it is a significant producer of comparable merchandise; and (3) we have reliable data from India that we can use to value the FOPs.[38] Thus, we have calculated normal value (''NV'') using Indian prices when available and appropriate to the FOPs of the OCTG producers. We have obtained and relied upon publicly available information wherever possible.[39]

In accordance with 19 CFR 351.301(c)(3)(i), for the final determination in an antidumping investigation, interested parties may submit publicly available information to value the FOPs within 40 days after the date of publication of the preliminary determination.[40]

Affiliations

TPCO

Based on the evidence on the record in this investigation, including information presented in TPCO's questionnaire responses, we preliminarily find that TPCO is affiliated with Companies A and B pursuant to section 771(33)(F) of the Act. The identity of these companies is business proprietary information (''BPI''); for further discussion on these companies, see Certain Oil Country Tubular Goods from the People's Republic of China: Tianjin Pipe International Economic and Trading Corporation Analysis Memorandum for the Preliminary Determination (November 4, 2009) (''TPCO Analysis Memo'')

Separate Rates

In proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the country are subject to government control and thus should be assessed a single antidumping duty rate. It is the Department's policy to assign all exporters of merchandise subject to investigation in an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate. Exporters can demonstrate this independence through the absence of both *de jure and de facto* governmental control over export activities. The Department analyzes each entity exporting the subject merchandise under a test arising from *Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China, 56 FR 20588* (May 6, 1991) (''*Sparklers''*), as further developed in *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China, 59 FR 22585 (*May 2, 1994*)* (''*Silicon Carbide* '').[41] However, if the Department determines that a company is wholly foreign-owned or located in a market economy, then a separate-rate analysis is not necessary to determine whether it is independent from government control.

Between May 15, 2009, and July 7, 2009, we received timely-filed SRAs from 38 companies (hereinafter referred to as ''SR Applicants'').[42] However, one

[36] *See* letter from Petitioners, ''Oil Country Tubular Goods from the People's Republic of China: Surrogate Country Selection,'' dated September 1, 2009.

[37] *See* letter from TPCO, ''TPCO's Surrogate Country Comments: Certain Oil Country Tubular Goods (OCTG) from China,'' dated September 1, 2009.

[38] *See* letter from TPCO, ''TPCO's Surrogate Country Comments: Certain Oil Country Tubular Goods (OCTG) from China,'' dated September 1, 2009, *see also* letter from Petitioners, ''Certain Oil Country Tubular Goods from the People's Republic of China: Surrogate Values,'' dated September 11, 2009; letter from TPCO, ''TPCO's Surrogate Country Comments: Certain Oil Country Tubular Goods (OCTG) from China,'' dated September 11, 2009; letter from Changbao, ''Antidumping Investigation: Certain Oil Country Tubular Goods from the People's Republic of China (C–570–944)—Comments on Surrogate Values,'' dated September 11, 2009. In addition, *see also* letter from Maverick, ''Certain Oil Country Tubular Goods from the People's Republic of China: Reply to Respondents' Surrogate Value Submissions,'' dated September 18, 2009; letter from Petitioners, ''Selection of Surrogate Values in Certain Oil Country Tubular Goods from the People's Republic of China,'' dated September 18, 2009; and, letter from Changbao, ''Antidumping Investigation: Certain Oil Country Tubular Goods from the People's Republic of China (A–570–944)—Response to Petitioners' Comments Regarding Surrogate Values,'' dated September 18, 2009.

[39] *See* Memorandum to Wendy J. Frankel, ''Oil Country Tubular Goods from the People's Republic of China: Surrogate Value Memorandum'' (November 4, 2004) (''Surrogate Value Memorandum'').

[40] In accordance with 19 CFR 351.301(c)(1), for the final determination of this investigation, interested parties may submit factual information to rebut, clarify, or correct factual information submitted by an interested party less than ten days before, on, or after, the applicable deadline for submission of such factual information. However, the Department notes that 19 CFR 351.301(c)(1) permits new information only insofar as it rebuts, clarifies, or corrects information recently placed on the record. The Department generally will not accept the submission of additional, previously absent-from-the-record alternative surrogate value information pursuant to 19 CFR 351.301(c)(1). *See Glycine from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Rescission, in Part,* 72 FR 58809 (October 17, 2007), and accompanying Issues and Decision Memorandum at Comment 2.

[41] *See also* Policy Bulletin 05.1, which states: '' [w]hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of ''combination rates'' because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.''

[42] The 38 separate-rate applicants are: (1) Angang Group Hong Kong Co., Ltd.; (2) Angang Steel Co., Ltd.; and Angang Group International Trade Corporation; (3) Anhui Tianda Oil Pipe Co., Ltd.; (4) Anshan Zhongyou Tipo Pipe & Tubing Co., Ltd.; (5) Baotou Steel International Economic and Trading Co., Ltd.; (6) Benxi Northern Steel Pipes Co., Ltd.; (7) Chengdu Wanghui Petroleum Pipe Co. Ltd.; (8) Dalipal Pipe Company; (9) Faray Petroleum Steel Pipe Co. Ltd.; (10) Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch; (11) Hengyang Steel Tube Group International Trading, Inc.; (12) Huludao Steel Pipe Industrial Co., Ltd.; (13) Jiangsu Chengde Steel Tube Share Co., Ltd.; (14) Jiangyin City Changjiang Steel Pipe Co., Ltd.; (15) Pangang Group Beihai Steel Pipe Corporation; (16) Pangang Group Chengdu Iron & Steel; (17) Qingdao Bonded Logistics Park Products International Trading Co., Ltd.; (18) Qiqihaer Bonded Logistics Park Products International Trading Co., Ltd.; (19) Shandong Dongbao Steel Pipe Co., Ltd.; (20) ShanDong HuaBao Steel Pipe Co., Ltd.; (21) Shandong Molong Petroleum Machinery Co., Ltd.; (22) Shanghai Metals & Minerals Import & Export Corp.; (23) Shanghai Zhongyou Tipo Steel Pipe Co., Ltd.; (24) Shengli Oil Field Freet Petroleum Equipment Co., Ltd.; (25) Shengli Oil Field Freet Petroleum Steel Pipe Co., Ltd.; (26) Shengli Oilfield Highland Petroleum Equipment Co., Ltd.; (27) Shengli Oilfield Shengji Petroleum Equipment Co., Ltd.; (28) Tianjin Lifengyuanda Steel Group Co., Ltd.; (29) Tianjin Seamless Steel Pipe Plant; (30) Tianjin Tiangang Special Petroleum Pipe Manufacturer Co., Ltd.; (31) Wuxi Baoda Petroleum Special Pipe Manufacturing Co., Ltd.; (32) Wuxi Seamless Oil Pipe Co., Ltd.; (33) Wuxi Sp. Steel Tube Manufacturing Co., Ltd.; (34) Wuxi Zhenda Special Steel Tube Manufacturing Co., Ltd.; (35) Xigang Seamless Steel Tube Co., Ltd.; (36) Yangzhou Lontrin Steel Tube Co., Ltd.; (37) Zhejiang JianLi Enterprise Co., Ltd.; and (38) Shengli Oil Field Freet Import & Export Trade Co., Ltd. (which submitted a separate-rate application but subsequently discovered that shipments of subject merchandise were not made during the POI. Therefore, because this company had no shipments of subject

Continued

SR Applicant, Shengli Oil Field Freet Import & Export Trade Co., Ltd., did not have any shipments of the merchandise under investigation during the POI, and so is not eligible for consideration for a separate rate. The remaining SR Applicants have all stated that they are either joint ventures between Chinese and foreign companies, or are wholly Chinese-owned companies. Therefore, the Department must analyze whether these respondents can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

a. Absence of De Jure Control

The Department considers the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) An absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies. The mandatory respondents and SR Applicants provided evidence demonstrating: (1) An absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies.[43] *See* their respective separate rate applications, on file in the central records unit at the Department of Commerce, *see also* Changbao's July 29, 2009, Section A questionnaire response and TPCO's July 30, 2009, Section A questionnaire response.

b. Absence of De Facto Control

Typically the Department considers four factors in evaluating whether each respondent is subject to *de facto* governmental control of its export functions: (1) Whether the export prices are set by or are subject to the approval of a governmental agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses.[44] The Department has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of governmental control which would preclude the Department from assigning separate rates.

The mandatory respondents and the SR Applicants provided evidence demonstrating: (1) That the export prices are not set by, and are not subject to, the approval of a governmental agency; (2) they have authority to negotiate and sign contracts and other agreements; (3) they have autonomy from the government in making decisions regarding the selection of management; and (4) they retain the proceeds of their export sales and make independent decisions regarding disposition of profits or financing of losses. *See* their respective separate rate applications, on file in the central records unit at the Department of Commerce, *see also* Changbao's July 29, 2009, Section A questionnaire response and TPCO's July 30, 2009, Section A questionnaire response.

The evidence placed on the record of this investigation by the mandatory respondents and 37 of the SR Applicants demonstrates an absence of *de jure* and *de facto* government control with respect to each of the exporter's exports of the merchandise under investigation, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide.* As a result, we have preliminarily granted Changbao and TPCO and each of these 37 SR Applicants (hereinafter referred to as the ''Separate Rate Companies''), separate-rate status.

The PRC-Wide Entity

The Department has data that indicate there were more exporters of OCTG from the PRC than those indicated in the response to our request for Q&V information during the POI. *See Respondent Selection Memorandum.* We issued our request for Q&V information to 212 potential Chinese exporters of the merchandise under investigation, in addition to posting the Q&V questionnaire on the Department's website. While information on the record of this investigation indicates that there are other producers/exporters of OCTG in the PRC, we received only 43 timely filed Q&V responses. Although all exporters were given an opportunity to provide Q&V information, not all exporters provided a response to the Department's Q&V letter. Therefore, the Department has preliminarily determined that there were exporters/producers of the merchandise under investigation during the POI from the PRC that did not respond to the Department's request for information. We have treated these PRC producers/exporters as part of the PRC-wide entity because they did not qualify for a separate rate. *See, e.g., Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Preliminary Partial Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof From the People's Republic of China,* 70 FR 77121, 77128 (December 29, 2005), unchanged in *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China,* 71 FR 29303 (May 22, 2006).

Application of Adverse Facts Available and the PRC-Wide Rate

Section 776(a)(2) of the Act provides that, if an interested party (A) withholds information that has been requested by the Department, (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act, (C) significantly impedes a proceeding under the antidumping statute, or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

Information on the record of this investigation indicates that the PRC-wide entity was non-responsive. Certain companies did not respond to our questionnaire requesting Q&V information. As a result, pursuant to section 776(a)(2)(A) of the Act, we find that the use of facts available (''FA'') is appropriate to determine the PRC-wide rate. *See Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam,* 68 FR 4986 (January 31, 2003), unchanged in *Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam,* 68 FR 37116 (June 23, 2003).

merchandise during the POI, they are not eligible for a separate-rate).

[43] *See Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China, 56 FR at 20589* (May 6, 1991).

[44] *See Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China, 59 FR 22585* (May 2, 1994); *see also Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China, 60 FR 22544, 22545* (May 8, 1995).

Section 776(b) of the Act provides that, in selecting from among the facts otherwise available, the Department may employ an adverse inference if an interested party fails to cooperate by not acting to the best of its ability to comply with requests for information. *See SAA,* H.R. Rep. No. 103–316, 870 (1994); *see also Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products from the Russian Federation,* 65 FR 5510, 5518 (February 4, 2000). We find that, because the PRC-wide entity did not respond to our requests for information, it has failed to cooperate to the best of its ability. Therefore, the Department preliminarily finds that, in selecting from among the facts available, an adverse inference is appropriate.

When employing an adverse inference, section 776 of the Act indicates that the Department may rely upon information derived from the petition, the final determination from the LTFV investigation, a previous administrative review, or any other information placed on the record. In selecting a rate for adverse facts available (''AFA''), the Department selects a rate that is sufficiently adverse to ensure that the uncooperative party does not obtain a more favorable result by failing to cooperate than if it had fully cooperated. It is the Department's practice to select, as AFA, the higher of the (a) highest margin alleged in the petition, or (b) the highest calculated rate of any respondent in the investigation. *See Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Quality Steel Products from the People's Republic of China,* 65 FR 34660 (May 21, 2000) and accompanying Issues and Decision Memorandum, at Comment 1. As AFA, we have preliminarily assigned to the PRC-wide entity a rate of 99.14 percent, the highest calculated rate from the petition. The Department preliminarily determines that this information is the most appropriate from the available sources to effectuate the purposes of AFA. The Department's reliance on the petition rates to determine an AFA rate is subject to the requirement to corroborate secondary information.

Corroboration

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation as FA, it must, to the extent practicable, corroborate that information from independent sources reasonably at its disposal. Secondary information is described in the SAA as ''information derived from the petition that gave rise to the investigation or review, the final determination concerning subject merchandise, or any previous review under section 751 concerning the subject merchandise.'' [45] The SAA provides that to ''corroborate'' means simply that the Department will satisfy itself that the secondary information to be used has probative value.[46] The SAA also states that independent sources used to corroborate may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation.[47] To corroborate secondary information, the Department will, to the extent practicable, examine the reliability and relevance of the information used.[48]

As AFA the Department has preliminarily selected the rate of 99.14 from the Petition.[49] Petitioners' methodology for calculating the EP and NV in the petition is discussed in the initiation notice.[50] To corroborate the AFA margin we have selected, we compared that margin to the margins we found for the respondents. We found that the margin of 99.14 percent has probative value because it is in the range of margins we found for the mandatory respondents. Accordingly, we find that the rate of 99.14 percent is corroborated within the meaning of section 776(c) of the Act.

Margin for the Separate-Rate Companies

Consistent with the Department's practice, we have established an average margin for the Separate-Rate Companies based on the rates we calculated for Changbao and TPCO (the mandatory respondents), excluding any rates that are zero, *de minimis,* or based entirely on AFA.[51] The Separate-Rate Companies are listed in the ''Suspension of Liquidation'' section of this notice.

Date of Sale

19 CFR 351.401(i) states that, ''[i]n identifying the date of sale of the subject merchandise or foreign like product, the Secretary normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business.'' In *Allied Tube,* the Court of International Trade (''CIT'') noted that a ''party seeking to establish a date of sale other than invoice date bears the burden of producing sufficient evidence to 'satisf{y}' the Department that 'a different date better reflects the date on which the exporter or producer establishes the material terms of sale.''' *Allied Tube & Conduit Corp.* v. *United States,* 132 F. Supp. 2d 1087, 1090 (CIT 2001) (''*Allied Tube*''). Additionally, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale. *See* 19 CFR 351.401(i); *see also Allied Tube,* 132 F. Supp. 2d at 1090–1092. The date of sale is generally the date on which the parties agree upon all substantive terms of the sale. This normally includes the price, quantity, delivery terms and payment terms. *See Carbon and Alloy Steel Wire Rod from Trinidad and Tobago: Final Results of Antidumping Duty Administrative Review,* 72 FR 62824 (November 7, 2007), and accompanying Issue and Decision Memorandum at Comment 1; *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon Quality Steel Products from Turkey,* 65 FR 15123 (March 21, 2000), and accompanying Issues and Decision Memorandum at Comment 1.

On May 22, 2009, Petitioners submitted a letter to the Department alleging that U.S. distributors of Chinese OCTG testified before the ITC that there was a six-month lag between the order date and entry-date of the subject merchandise into the United States.[52] Further, Petitioners contended that the U.S. customers of Chinese OCTG were required to place a significant down payment on their orders. Moreover,

[45] *See* SAA at 870.

[46] *See id.*

[47] *See id.*

[48] *See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, from Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews,* 61 FR 57391, 57392 (November 6, 1996), unchanged in *Final Results of Antidumping Duty Administrative Reviews and Termination in Part: Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan,* 62 FR 11825 (March 13, 1997).

[49] *See Notice of Initiation,* 74 FR at 20676.

[50] *See Notice of Initiation,* 72 FR at 43593.

[51] *See, e.g., Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China,* 71 FR 77373, 77377 (December 26, 2006) (''PSF''), unchanged in *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China,* 72 FR 19690 (April 19, 2007), *see also* the ''Separate Rates'' section.

[52] *See* Petitioners' Letter to the Department: Certain Oil Country Tubular Goods from the People's Republic of China: Request that the Department Collect Additional Data from the Respondents (May 22, 2009).

Petitioners claimed that the U.S. prices for OCTG dropped during the POI, and that raw material input costs for OCTG declined significantly as well. Petitioners argued that, as a result of the above, if respondents reported U.S. sales of subject merchandise on the basis of invoice date, the Department's standard NME methodology would compare U.S. sales whose prices were set six months prior to the POI with costs that were established during the POI. Thus, Petitioners requested that the Department direct respondents to report the following information in the questionnaire response and U.S. sales database: Sales of subject merchandise to the United States that had a contract or sale order date within the POI, and the dates of the contract and sale orders for these sales, and the contract and sale order dates for the U.S. sales that were shipped or invoiced during the POI.

Based on Petitioners' allegation, the Department issued a supplemental questionnaire on July 1, 2009, requesting the above information (''Date of Sale Questionnaire'').[53] The Department did not, however, require that the respondents submit the data associated with the above information in their U.S. sales database.

In their July 22, 2009, responses to the Date of Sale Questionnaire, both TPCO and Changbao argued that the invoice date is the earliest date at which terms of sale are finalized.[54]

On July 23, 2009, Petitioners submitted another letter to the Department which argued that respondents did not sufficiently describe how changes in quantity and price were established, and again requested that the Department require respondents to report: Each sale that has a contract or purchase order (''PO'') date within the POI; each sale that has an invoice during the POI; and, for CEP sales, each sale with an agreement made during the POI and also each sale with an invoice during the POI. The Department did not, however, issue another date of sale questionnaire.

TPCO reported the date of the commercial invoice to the first unaffiliated party as the date of sale for both CEP and EP sales. Changbao also reported the date of the commercial invoice to the first unaffiliated party as the date of sale for its EP sales. Upon examination of the information in the Date of Sale Questionnaires, and the respondents' Section C and supplemental Section C responses, the Department found no evidence contrary to TPCO's or Changbao's assertions that invoice date was the appropriate date of sale. Thus, the Department used invoice date as the date of sale for this preliminary determination.[55]

Fair Value Comparison

To determine whether sales of certain OCTG to the United States by TPCO and Changbao were made at less than fair value, we compared EP or CEP, as applicable, to NV, as described in the ''U.S. Price'' and ''Normal Value'' sections of this notice.

Constructed Export Price

In accordance with section 772(b) of the Act, we based the U.S. price for certain of TPCO's sales on CEP because these sales were made by TPCO's U.S. affiliates,[56] Company A, and Company B. In accordance with section 772(c)(2)(A) of the Act, we calculated CEP by deducting, where applicable, the following expenses from the gross unit price charged to the first unaffiliated customer in the United States, foreign movement expenses, and U.S. movement expenses, including U.S. duties, U.S. warehousing, and inventory carrying cost. Further, in accordance with section 772(d)(1) of the Act and 19 CFR 351.402(b), where appropriate, we deducted from the starting price the following selling expenses associated with economic activities occurring in the United States: Credit expenses and other direct selling expenses. In addition, pursuant to section 772(d)(3) of the Act, we made an adjustment to the starting price for CEP profit. We based movement expenses on either surrogate values or actual expenses (where paid for in a market economy currency and performed by a market economy provider). For details regarding our CEP calculations, and for a complete discussion of the calculation of the U.S. price for TPCO, *see* TPCO Analysis Memo.

Export Price

In accordance with section 772(a) of the Act, we based the U.S. price for certain of TPCO's sales, and all of Changbao's sales, on EP because the subject merchandise was sold directly to the unaffiliated customers in the United States prior to importation. In accordance with section 772(a) of the Act, EP is the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under section 772(c) of the Act.

We calculated EP based on the packed cost and freight or delivered prices to unaffiliated purchasers in, or for exportation to, the United States. We made deductions, as appropriate, for the following movement expenses: Domestic inland freight, domestic brokerage and handling, international freight, and marine insurance. For details regarding our EP calculations, and for a complete discussion of the calculation of the U.S. price for TPCO and Changbao, *see* TPCO Analysis Memo and Certain Oil Country Tubular Goods from the People's Republic of China: Jiangsu Changbao Steel Tube Co., Ltd. Analysis Memorandum for the Preliminary Determination (November 4, 2000) (''Changbao Analysis Memo'').

In its October 19, 2009, Supplemental Section C response, Changbao reported certain sales to unaffiliated resellers in the PRC. This information was unsolicited by the Department. Changbao stated that it is not a party to the contracts between its Chinese customers and their U.S. customers, is not involved in negotiating the U.S. price or other terms of sale, and the unaffiliated reseller takes title to the merchandise before exporting to the United States and receives payment from the U.S. customer. Changbao further provided a purchase contract between itself and one of these unaffiliated PRC resellers.[57] Based upon the record evidence, we have determined that these are not Changbao's U.S. sales. Further, Changbao has not claimed that these are its U.S. sales. Accordingly, for the preliminary determination, we have excluded these sales from the margin calculation.

TPCO describes the customer for its EP sales, Company C, as an unaffiliated customer. However, record evidence indicates that Company C may be affiliated with TPCO. Because the record is not clear, we have determined to preliminarily treat these U.S. sales as EP sales and to include them in our margin calculation. However, we intend to further examine this issue after the preliminary determination to determine their appropriate treatment for purposes

[53] *See* Letter from the Department: Less-Than-Fair-Value Investigation of Certain Oil Country Tubular Goods (''OCTG'') from the People's Republic of China (''PRC''): Date of Sale Questionnaire (July 1, 2009) to TPCO, Changbao and Lifengyuanda.

[54] *See* TPCO Analysis Memo and Changbao Analysis Memo for a more thorough discussion of this issue involving BPI information.

[55] *See id.*

[56] The identity of these companies is business proprietary; for further discussion of these companies, *see* TPCO Analysis Memo.

[57] *See* Changbao's October 19, 2009, Supplemental Section C response at 1–3.

of the final determination in this investigation.

Normal Value

We compared NV to weighted-average EPs and CEPs in accordance with section 777A(d)(1) of the Act. Further, section 773(c)(1) of the Act provides that the Department shall determine the NV using an FOP methodology if the merchandise is exported from an NME country and the information does not permit the calculation of NV using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. The Department bases NV on the FOPs because the presence of government controls on various aspects of an NME renders price comparisons and the calculation of production costs invalid under its normal methodologies.

The Department's questionnaire requires that the respondent provide information regarding the weighted-average FOPs across all of the company's plants that produce the subject merchandise, not just the FOPs from a single plant. This methodology ensures that the Department's calculations are as accurate as possible.[58] The Department calculated the FOPs using the weighted-average factor values for all of the facilities involved in producing the subject merchandise for each exporter. The Department calculated NV for each matching control number (''CONNUM'') based on the factors of production reported from each of the exporters' suppliers and then averaged the supplier-specific NVs together, weighted by production quantity, to derive a single, weighted-average NV for each CONNUM exported by each exporter.

Factor Valuation Methodology

In accordance with section 773(c) of the Act, we calculated NV based on FOP data reported by TPCO and Changbao. To calculate NV, we multiplied the reported per-unit factor-consumption rates by publicly available surrogate values (except as discussed below). In selecting the surrogate values, we considered the quality, specificity, and contemporaneity of the data. *See, e.g., Fresh Garlic From the People's Republic of China: Final Results of Antidumping Duty New Shipper Review,* 67 FR 72139 (December 4, 2002), and accompanying Issues and Decision Memorandum at Comment 6; and *Final Results of First New Shipper Review and First Antidumping Duty Administrative Review: Certain Preserved Mushrooms From the People's Republic of China,* 66 FR 31204 (June 11, 2001), and accompanying Issues and Decision Memorandum at Comment 5. As appropriate, we adjusted input prices by including freight costs to make them delivered prices. Specifically, we added to Indian import surrogate values a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory where appropriate. This adjustment is in accordance with the Court of Appeals for the Federal Circuit's decision in *Sigma Corp.* v. *United States,* 117 F.3d 1401, 1407–08 (Fed. Cir. 1997). A detailed description of all surrogate values used for TPCO and Changbao can be found in Certain Oil Country Tubular Goods from the People's Republic of China: Surrogate Value Memorandum for the Preliminary Determination (November 4, 2000) (''Surrogate Value Memorandum'') (November 4, 2009).

For this preliminary determination, in accordance with the Department's practice, we used data from the Indian Import Statistics and other publicly available Indian sources in order to calculate surrogate values for TPCO and Changbao's FOPs (direct materials, energy, and packing materials) and certain movement expenses. In selecting the best available information for valuing FOPs in accordance with section 773(c)(1) of the Act, the Department's practice is to select, to the extent practicable, surrogate values which are non-export average values, most contemporaneous with the POI, product-specific, and tax-exclusive. *See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam,* 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam,* 69 FR 71005 (December 8, 2004). The record shows that data in the Indian Import Statistics, as well as those from the other Indian sources, are contemporaneous with the POI, product-specific, and tax-exclusive. *See* Surrogate Value Memorandum. In those instances where we could not obtain publicly available information contemporaneous to the POI with which to value factors, we adjusted the surrogate values using, where appropriate, the Indian Wholesale Price Index (''WPI'') as published in the International Financial Statistics of the International Monetary Fund.

Furthermore, with regard to the Indian import-based surrogate values, we have disregarded import prices that we have reason to believe or suspect may be subsidized. We have reason to believe or suspect that prices of inputs from Indonesia, South Korea, and Thailand may have been subsidized. We have found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies and, therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized. *See Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China,* 69 FR 20594 (April 16, 2004), and accompanying Issues and Decision Memorandum at Comment 7. Further, guided by the legislative history, it is the Department's practice not to conduct a formal investigation to ensure that such prices are not subsidized. *See* Omnibus Trade and Competitiveness Act of 1988, Conference Report to accompany H.R. Rep. 100–576 at 590 (1988) reprinted in 1988 U.S.C.C.A.N. 1547, 1623–24; *see also Preliminary Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China, 72 FR 30758 (June 4, 2007) unchanged in Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China,* 72 FR 60632 (October 25, 2007). Rather, the Department bases its decision on information that is available to it at the time it makes its determination. *See Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value,* 73 FR 24552, 24559 (May 5, 2008), unchanged in *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value,* 73 FR 55039 (September 24, 2008). Therefore, we have not used prices from these countries in calculating the Indian import-based surrogate values. Additionally, we disregarded prices from NME countries. Finally, imports that were labeled as originating from an ''unspecified'' country were excluded

[58] *See, e.g., Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings From the People's Republic of China,* 68 FR 61395 (October 28, 2003), and accompanying Issues and Decision Memorandum at Comment 19.

from the average value, because the Department could not be certain that they were not from either an NME country or a country with general export subsidies. *See id.*

Additionally, TPCO reported that during the POI, it purchased certain inputs from a market economy supplier and paid for the inputs in a market economy currency. The Department has a rebuttable presumption that market economy input prices are the best available information for valuing an input when the total volume of the input purchased from all market economy sources during the period of investigation or review exceeds 33 percent of the total volume of the input purchased from all sources during the period. In these cases, unless case-specific facts provide adequate grounds to rebut the Department's presumption, the Department will use the weighted-average market economy purchase price to value the input. Alternatively, when the volume of an NME firm's purchases of an input from market economy suppliers during the period is below 33 percent of its total volume of purchases of the input during the period, but where these purchases are otherwise valid and there is no reason to disregard the prices, the Department will weight-average the market economy purchase price with an appropriate surrogate value (''SV'') according to their respective shares of the total volume of purchases, unless case-specific facts provide adequate grounds to rebut the presumption. When a firm has made market economy input purchases that may have been dumped or subsidized, are not *bona fide,* or are otherwise not acceptable for use in a dumping calculation, the Department will exclude them from the numerator of the ratio to ensure a fair determination of whether valid market economy purchases meet the 33-percent threshold. *See Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments,* 71 FR 61716, 61717–18 (October 19, 2006). *See* TPCO Analysis Memo.

For direct, indirect, and packing labor, consistent with 19 CFR 351.408(c)(3), we used the PRC regression-based wage rate as reported on Import Administration's home page, Import Library, Expected Wages of Selected NME Countries, revised in May 2008, *see Corrected 2007 Calculation of Expected Non-Market Economy Wages,* 73 FR 27795 (May 14, 2008), and *http://ia.ita.doc.gov/wages/index.html.* The source of these wage-rate data on the Import Administration's Web site is the Yearbook of Labour Statistics 2005, ILO (Geneva: 2007), Chapter 5B: Wages in Manufacturing. Because this regression-based wage rate does not separate the labor rates into different skill levels or types of labor, we have applied the same wage rate to all skill levels and types of labor reported by the respondents.

We valued truck freight expenses using a per-unit average rate calculated from data on the Infobanc Web site: *http://www.infobanc.com/logistics/logtruck.htm.* The logistics section of this Web site contains inland freight truck rates between many large Indian cities.

We valued electricity using price data for small, medium, and large industries, as published by the Central Electricity Authority of the Government of India (''CEA'') in its publication titled Electricity Tariff & Duty and Average Rates of Electricity Supply in India, dated July 2006. These electricity rates represent actual country-wide, publicly available information on tax-exclusive electricity rates charged to industries in India. Petitioners suggested that the Department rely on March 2009 CEA data.[59] However, we preliminarily find that we cannot rely on the suggested data as we are unable to separate duty rates from the March 2009 CEA data.

Because water is essential to the production process of the merchandise under consideration, the Department considers water to be a direct material input, not overhead, and thus valued water with a surrogate value according to our practice. *See Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings From the People's Republic of China,* 68 FR 61395 (October 23, 2003), and accompanying Issues and Decision Memorandum at Comment 11. The Department valued water using data from the Maharashtra Industrial Development Corporation (*http://midcindia.org*) as it includes a wide range of industrial water tariffs. This source provides 378 industrial water rates within the Maharashtra province through June 2009: 189 of the water rates were for the ''inside industrial areas'' usage category and 189 of the water rates were for the ''outside industrial areas'' usage category.

We continued our recent practice to value brokerage and handling using a simple average of the brokerage and handling costs that were reported in public submissions that were filed in three antidumping duty cases. Specifically, the Department averaged the public brokerage and handling expenses reported by Navneet Publications (India) Ltd. in the 2007–2008 administrative review of certain lined paper products from India, Essar Steel Limited in the 2006–2007 antidumping duty administrative review of hot-rolled carbon steel flat products from India, and Himalaya International Ltd. in the 2005–2006 administrative review of certain preserved mushrooms from India. The Department inflated the brokerage and handling rate using the appropriate WPI inflator. *See* Surrogate Value Memorandum.

To value marine insurance, the Department used data from RGJ Consultants (*http://www.rjgconsultants.com/*). This source provides information regarding the per-value rates of marine insurance of imports and exports to/from various countries.

We calculated factory overhead, selling general and administrative expenses (''SG&A''), and profit percentages for TPCO using the financial statements of Tata Steel Limited (''Tata'') as of March 31, 2009, because Tata is a producer of comparable merchandise, and is at a level of integration much more similar to TPCO's than the other surrogate company for whom we have usable financial statements: Oil Country Tubular Ltd. (''OCTL''). We used the financial statements of OCTL as of March 31, 2009, to value factory overhead, SG&A and profit for Changbao because OCTL, like Changbao, is a non-integrated producer of identical and comparable merchandise. Both financial statements are contemporaneous with the POI. The Department may consider other publicly available financial statements for the final determination, as appropriate.

Regarding surrogate values for steel billets, Petitioners argue that the Department should use HTS 7207.20.30 to value TPCO's and Changbao's reported steel billets. The HTS category subheading 7207.20.30 encompasses ''seamless tube'', semi-finished steel products, with a carbon content greater than or equal to 20 percent. According to the Petitioners, these steel billets, what Petitioners refer to as ''commodity grade'' steel billets, have more exacting physical and chemical requirements than standard steel billets. Petitioners argue that OCTG production requires the use of this premium steel billet (*e.g.,* with a carbon content greater than or equal to 20 percent) and that therefore, the appropriate HTS for TPCO and

[59] Available at *http://www.cea.nic.in/e&c/Estimated%20Average%20Rates%20of%20Electricity.pdf.*

Changbao's steel billets is 7207.20.30.[60] Petitioners also argue that 7207.20.30 is the appropriate HTS subheading as TPCO's and Changbao's subject merchandise is ''seamless OCTG'' which requires ''seamless tube'' steel billets.[61]

Changbao argues that the steel billets it uses to produce the subject merchandise are non-alloy and contain less than 25 percent carbon content. Changbao has provided technical specifications purporting to demonstrate this. Accordingly, Changbao argues that the proper HTS is 7224.90.91, as its steel billets are excluded from the HTS 7207.20.30 subheading and are, rather, comprised of the characteristics more appropriately encompassed by HTS subheading 7224.90.91.

TPCO, in its surrogate value submission, suggested 7207.20.90 as the appropriate HTS subheading for the steel billets purchased and used for producing its subject merchandise. Petitioners argue that, although TPCO's suggested HTS subheading encompasses the ''carbon content greater than or equal to 20 percent'' characteristic, it nonetheless falls into the ''other'' group and is thus less specific than 7207.20.30. Finally, Petitioners point out that both HTS subheadings suggested by TPCO and Changbao are basket category subheadings.[62]

We preliminarily determine to value both Changbao's and TPCO's billets with the HTS number proffered by each respondent, respectively (*i.e.,* HTS is 7224.90.91 for Changbao and HTS 7207.20.90 for TPCO). Changbao and TPCO are the parties with access to their respective technical specifications and mill test certifications, and so have access to the most specific information possible to correctly determine the surrogate value most specific to their own billets. Accordingly, we preliminarily determine to use TPCO and Changbao's respective HTS subheading suggestions, but intend to pursue this issue at verification.

Shorter Cost Averaging Periods

On May 22, 2009, Petitioners, using data from business proprietary sources, alleged that OCTG prices, and the cost of raw material inputs used to produce subject merchandise, decreased dramatically during the POI.[63] Petitioners claimed that in similar instances in other cases, the Department has used shorter cost-averaging periods when calculating normal value (*i.e.,* the Department calculated cost of production or constructed values on a quarterly basis for comparison to sales prices, rather than using a POI or period of review (POR) average).[64] Accordingly, Petitioners requested that the Department require respondents to report their material input usage rates on a monthly basis for both the POI and the six months preceding the POI. They also requested that the Department calculate normal value using monthly consumption periods and monthly surrogate values rather than a POI-average of inputs and surrogate values.

To date, the Department has not considered using shorter cost periods in an NME case. The Department has used shorter cost periods in market-economy (''ME'') cases where we determined that actual production costs changed significantly during the POI/POR, and where there was evidence of a linkage between the actual cost changes and the sales prices in a given POI/POR.[65] In an NME context, except in limited circumstances when inputs are purchased from market-economy suppliers, the Department calculates normal value using surrogate values in lieu of actual input costs. Thus, because the use of the shorter cost periods would not more accurately reflect experience of the respondent operating in the NME during the period under examination, we continue to base costs on POI-average surrogate values rather than the shorter cost periods.

Because it is not clear how the shorter cost averaging period methodology employed in ME cases can fit methodologically or analytically in an NME context, we preliminarily continue to base normal value on the POI average surrogate values and input consumption rates, rather than shorter cost periods, for this investigation. We invite parties to comment on these issues and on what facts warrant the use of shorter cost averaging periods in this case, for the final determination.

Currency Conversion

We made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Verification

As provided in section 782(i)(1) of the Act, we intend to verify the information upon which we will rely in making our final determination.

Combination Rates

In the *Initiation Notice,* the Department stated that it would calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. *See Initiation Notice,* 74 FR 20676. This practice is described in *Policy Bulletin 05.1,* available at *http://ia.ita.doc.gov/.*

Preliminary Determination

The weighted-average dumping margins are as follows:

Exporter	Producer	Weighted-average margin
Jiangsu Changbao Steel Tube Co., Ltd	Jiangsu Changbao Steel Tube Co., Ltd. and Jiangsu Changbao Precision Steel Tube Co., Ltd.	0.00
Tianjin Pipe International Economic and Trading Corporation	Tianjin Pipe (Group) Corporation	36.53
Angang Group Hong Kong Co., Ltd	Angang Steel Co. Ltd	36.53
Angang Steel Co., Ltd., and Angang Group International Trade Corporation.	Angang Steel Co. Ltd	36.53
Anhui Tianda Oil Pipe Co., Ltd	Anhui Tianda Oil Pipe Co., Ltd	36.53
Anshan Zhongyou Tipo Pipe & Tubing Co., Ltd	Anshan Zhongyou Tipo Pipe & Tubing Co., Ltd	36.53
Baotou Steel International Economic and Trading Co., Ltd	Baotou Steel International Economic and Trading Co., Ltd	36.53

[60] *See* Petitioner's September 14, 2009, Surrogate Value Submission.

[61] *See* Petitioner's September 21, 2009, Surrogate Value Rebuttal Submission.

[62] *Id.*

[63] *See* Petitioners' Letter to the Department: Certain Oil Country Tubular Goods from the People's Republic of China: Request that the Department Collect Additional Data from the Respondents (May 22, 2009).

[64] *See* 19 CFR 351.414(d)(3): Time period over which weighted average is calculated. When applying the average-to-average method, the Secretary normally will calculate weighted averages for the entire period of investigation or review, as the case may be. However, when normal values, export prices, or constructed export prices differ significantly over the course of the period of investigation or review, the Secretary may calculate weighted averages for such shorter period as the Secretary deems appropriate.

[65] *See, e.g., Stainless Steel Plate in Coils From Belgium: Final Results of Antidumping Duty Administrative Review,* 73 FR 75398 (December 11, 2008) and accompanying Issues and Decision Memorandum at Comment 4.

Exporter	Producer	Weighted-average margin
Benxi Northern Steel Pipes Co., Ltd	Benxi Northern Steel Pipes Co., Ltd	36.53
Chengdu Wanghui Petroleum Pipe Co. Ltd	Chengdu Wanghui Petroleum Pipe Co. Ltd	36.53
Dalipal Pipe Company	Dalipal Pipe Company	36.53
Faray Petroleum Steel Pipe Co. Ltd	Faray Petroleum Steel Pipe Co. Ltd	36.53
Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch.	Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch.	36.53
Hengyang Steel Tube Group International Trading, Inc	Hengyang Valin MPM Tube Co., Ltd.; Hengyang Valin Steel Tube Co., Ltd.	36.53
Huludao Steel Pipe Industrial Co., Ltd./Huludao City Steel Pipe Industrial Co., Ltd.	Huludao Steel Pipe Industrial Co., Ltd./Huludao City Steel Pipe Industrial Co., Ltd.	36.53
Jiangsu Chengde Steel Tube Share Co., Ltd	Jiangsu Chengde Steel Tube Share Co., Ltd	36.53
Jiangyin City Changjiang Steel Pipe Co., Ltd	Jiangyin City Changjiang Steel Pipe Co., Ltd	36.53
Pangang Group Beihai Steel Pipe Corporation	Pangang Group Beihai Steel Pipe Corporation	36.53
Pangang Group Chengdu Iron & Steel	Pangang Group Chengdu Iron & Steel	36.53
Qingdao Bonded Logistics Park Products International Trading Co., Ltd.	Shengli Oilfield Highland Petroleum Equipment Co., Ltd.; Shandong Continental Petroleum Equipment Co., Ltd.; Aofei Tele Dongying Import & Export Co., Ltd.; Highgrade Tubular Manufacturing (Tianjin) Co., Ltd.; Cangzhou City Baohai Petroleum Material Co., Ltd.	36.53
Qiqihaer Bonded Logistics Park Products International Trading Co., Ltd.	Qiqihaer Bonded Logistics Park Products International Trading Co., Ltd.	36.53
Shandong Dongbao Steel Pipe Co., Ltd	Shandong Dongbao Steel Pipe Co., Ltd	36.53
ShanDong HuaBao Steel Pipe Co., Ltd	ShanDong HuaBao Steel Pipe Co., Ltd	36.53
Shandong Molong Petroleum Machinery Co., Ltd	Shandong Molong Petroleum Machinery Co., Ltd	36.53
Shanghai Metals & Minerals Import & Export Corp./Shanghai Minmetals Materials & Products Corp.	Jiangsu Changbao Steel Pipe Co., Ltd.; Huludao Steel Pipe Industrial Co., Ltd.; Northeast Special Steel Group Qiqihaer Haoying Steel and Iron Co., Ltd.; Beijing Youlu Co., Ltd.	36.53
Shanghai Zhongyou Tipo Steel Pipe Co., Ltd	Shanghai Zhongyou Tipo Steel Pipe Co., Ltd	36.53
Shengli Oil Field Freet Petroleum Equipment Co., Ltd	Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch; Faray Petroleum Steel Pipe Co., Ltd.; Shengli Oil Field Freet Petroleum Steel Pipe Co., Ltd.	36.53
Shengli Oil Field Freet Petroleum Steel Pipe Co., Ltd	Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch; Tianda Oil Pipe Co., Ltd; Wuxi Fastube Dingyuan Precision Steel Pipe Co., Ltd.	36.53
Shengli Oilfield Highland Petroleum Equipment Co., Ltd	Tianjin Pipe Group Corp.; Goods & Materials Supply Dept. of Shengli Oilfield SinoPEC; Dagang Oilfield Group New Century Machinery Co. Ltd.; Tianjin Seamless Steel Pipe Plant; Baoshan Iron & Steel Co. Ltd.	36.53
Shengli Oilfield Shengji Petroleum Equipment Co., Ltd	Shengli Oilfield Shengji Petroleum Equipment Co., Ltd.	36.53
Tianjin Xingyuda Import and Export Co., Ltd. & Hong Kong Gallant Group Limited.	Tianjin Lifengyuanda Steel Group Co., Ltd	36.53
Tianjin Seamless Steel Pipe Plant	Tianjin Seamless Steel Pipe Plant	36.53
Tianjin Tiangang Special Petroleum Pipe Manufacturer Co., Ltd.	Tianjin Tiangang Special Petroleum Pipe Manufacturer Co., Ltd.	36.53
Wuxi Baoda Petroleum Special Pipe Manufacturing Co., Ltd	Wuxi Baoda Petroleum Special Pipe Manufacturing Co., Ltd	36.53
Wuxi Seamless Oil Pipe Co., Ltd	Wuxi Seamless Oil Pipe Co., Ltd	36.53
Wuxi Sp. Steel Tube Manufacturing Co., Ltd	Wuxi Precese Special Steel Co., Ltd	36.53
Wuxi Zhenda Special Steel Tube Manufacturing Co., Ltd	Huai'an Zhenda Steel Tube Manufacturing Co., Ltd	36.53
Xigang Seamless Steel Tube Co., Ltd	Xigang Seamless Steel Tube Co., Ltd.; Wuxi Seamless Special Pipe Co., Ltd.	36.53
Yangzhou Lontrin Steel Tube Co., Ltd	Yangzhou Lontrin Steel Tube Co., Ltd	36.53
Zhejiang Jianli Co., Ltd. & Zhejiang Jianli Steel Tube Co., Ltd	Zhejiang Jianli Co., Ltd.; Zhejiang Jianli Steel Tube Co., Ltd	36.53
PRC-wide Entity *		99.14

* Shengli Oil Field Freet Import & Export Trade Co., Ltd. is part of the PRC-wide entity.

Disclosure

We will disclose the calculations performed within five days of the date of publication of this notice to parties in this proceeding in accordance with 19 CFR 351.224(b).

Suspension of Liquidation

In accordance with section 733(d) of the Act, we will instruct U.S. Customs and Border Protection (''CBP'') to suspend liquidation of all entries of subject merchandise exported by TPCO and produced by Tianjin Pipe (Group) Corporation, entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct CBP to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds U.S. price, as indicated above.

Additionally, as the Department has determined in its *Certain Oil Country Tubular Goods From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, Preliminary Negative Critical Circumstances Determination*, 74 FR 47210 (September 15, 2009) (''*CVD Prelim*'') that the merchandise under investigation, exported by TPCO,

benefitted from an export subsidy, we will instruct CBP to require an antidumping cash deposit or posting of a bond equal to the weighted-average amount by which the NV exceeds the U.S. price for TPCO, as indicated above, minus the amount determined to constitute an export subsidy. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Carbazole Violet Pigment 23 From India*, 69 FR 67306, 67307 (November 17, 2007).

We will instruct CBP not to suspend liquidation or require a cash deposit or the posting of a bond for imports of OCTG from the PRC exported and produced by Changbao, because we have calculated a margin of zero percent for Changbao.

In accordance with section 733(d) of the Act, we will instruct CBP to suspend liquidation of all entries of subject merchandise exported by the separate-rate respondents, in the exporter/producer combination identified above, entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct CBP to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds U.S. price, as indicated above.

For the two separate-rate companies in this investigation that also participated as mandatory respondents in the CVD investigation (*i.e.*, Wuxi Seamless Oil Pipe Co., Ltd., and Zhejiang Jianli Co., Ltd. & Zhejiang Jianli Steel Tube Co., Ltd.), because it was determined in the *CVD Prelim.* that these companies did not benefit from any export subsidy, we will not make an adjustment to the antidumping duty rate of these companies for purposes of cash deposits.

For the remaining separate-rate companies, we will instruct CBP to adjust the dumping margin by the amount of export subsidies included in the All Other rate from the *CVD Prelim.*

Further, because we found critical circumstances with regard to the PRC-wide entity, we will instruct CBP to suspend liquidation of merchandise under consideration exported by the PRC-wide entity and entered or withdrawn from warehouse, for consumption commencing 90 days prior to the date of this preliminary determination, and we will instruct CBP to require an antidumping duty cash deposit or the posting of a bond for each entry.

These suspension of liquidation instructions will remain in effect until further notice.

International Trade Commission Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our preliminary affirmative determination of sales at less than fair value. Section 735(b)(2) of the Act requires the ITC to make its final determination as to whether the domestic industry in the United States is materially injured, or threatened with material injury, by reason of imports of certain OCTG, or sales (or the likelihood of sales) for importation, of the merchandise under investigation within 45 days of our final determination.

Public Comment

Case briefs or other written comments may be submitted to the Assistant Secretary for Import Administration no later than seven days after the date on which the final verification report is issued in this proceeding and rebuttal briefs limited to issues raised in case briefs and must be received no later than five days after the deadline date for case briefs. *See* 19 CFR 351.309(c)(i) and (d). A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. This summary should be limited to five pages total, including footnotes.

In accordance with section 774 of the Act, and if requested, we will hold a public hearing, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. If a request for a hearing is made, we intend to hold the hearing shortly after the deadline of submission of rebuttal briefs at the U.S. Department of Commerce, 14th Street and Constitution Ave., NW., Washington, DC 20230, at a time and location to be determined. Parties should confirm by telephone the date, time, and location of the hearing two days before the scheduled date.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days after the date of publication of this notice. *See* 19 CFR 351.310(c). Requests should contain the party's name, address, and telephone number, the number of participants, and a list of the issues to be discussed. At the hearing, each party may make an affirmative presentation only on issues raised in that party's case brief and may make rebuttal presentations only on arguments included in that party's rebuttal brief.

This determination is issued and published in accordance with sections 733(f) and 777(i)(1) of the Act.

Dated: November 4, 2009.

Ronald K. Lorentzen,

Acting Assistant Secretary for Import Administration.

[FR Doc. E9–27574 Filed 11–16–09; 8:45 am]

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Notices

Federal Register
Vol. 74, No. 233
Monday, December 7, 2009

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF COMMERCE

International Trade Administration

[C–570–944]

Certain Oil Country Tubular Goods From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Negative Critical Circumstances Determination

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

SUMMARY: The Department of Commerce (the ''Department'') has determined that countervailable subsidies are being provided to producers and exporters of certain oil country tubular goods from the People's Republic of China (''PRC''). For information on the estimated countervailing duty rates, please see the ''Suspension of Liquidation'' section, below.

DATES: *Effective Date:* December 7, 2009.

FOR FURTHER INFORMATION CONTACT: David Neubacher, Shane Subler, Magd Zalok, Maryanne Burke, and Henry Almond, AD/CVD Operations, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–5823, (202) 482–0189, (202) 482–4162, (202) 482–5604, and (202) 482–0049, respectively.

Petitioner

Petitioners in this investigation are Maverick Tube Corporation, United States Steel Corporation, TMK IPSCO, V&M Star LP, Wheatland Tube Corporation, Evraz Rocky Mountain Steel, and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (''United Steelworkers'') (collectively, ''Petitioners'').

Period of Investigation

The period for which we are measuring subsidies, or period of investigation, is January 1, 2008, through December 31, 2008.

Case History

The following events have occurred since the announcement of the preliminary determination published in the **Federal Register** on September 15, 2009. *See Certain Oil Country Tubular Goods From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, Preliminary Negative Critical Circumstances Determination,* 74 FR 47210 (September 15, 2009) (''*Preliminary Determination*'').

On September 16, 2009, the Department issued a letter to Jiangsu Changbao Steel Tube Co., Ltd. (''Changbao Steel''), Tianjin Pipe (Group) Co. (''TPCO''), Wuxi Seamless Oil Pipe Co., Ltd. (''WSP''), Zhejiang Jianli Enterprise Co., Ltd. (''Jianli''), and the Government of China (''GOC'') setting September 21, 2009 as the deadline for responses to questions in the June 4, 2009 original questionnaire and subsequent supplemental questionnaires. We received submissions from the above-mentioned mandatory respondents and the GOC on September 21, 2009. The Department also issued supplemental questionnaires to TPCO on September 23, 2009. We received a response from TPCO on September 29, 2009.

On September 28, 2009, Changbao Steel submitted ministerial error allegations in regard to the *Preliminary Determination.* On October 21, 2009, we issued our finding that none of the ministerial errors alleged by the parties constituted a significant ministerial error, as defined by 19 CFR 351.224(f) and 19 CFR 351.224(g) to 19 CFR 351, and did not amend the *Preliminary Determination.*

On September 18, 2009, the Department determined that petitioners had provided sufficient support to investigate certain new subsidy allegations, dated July 30, 2009. *See* Memorandum to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''New Subsidy Allegations'' (September 18, 2009). On October 21, 2009, the Department postponed its investigation of those newly alleged subsidies until the first administrative review (should this investigation result in a countervailing duty order). *See* Memorandum to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Status of New Subsidies'' (October 21, 2009).

From October 12, 2009 to October 16, 2009, we conducted verification of the questionnaire responses submitted by GOC, Changbao Steel, TPCO, WSP, and Jianli. *See* Memorandum from Shane Subler and David Neubacher, International Trade Compliance Analysts, to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Verification Report of the Jiangsu Province State Administration of Industry and Commerce and Tianjin Municipality State Administration of Industry and Commerce'' (October 29, 2009); Memorandum from David Neubacher, Magd Zalok, and Maryanne Burke, International Trade Compliance Analysts, to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Jiangsu Changbao Steel Tube Co., Ltd. and Jiangsu Changbao Precision Steel Tube Co., Ltd. Verification Report'' (October 29, 2009); Memorandum from Shane Subler and David Layton, International Trade Compliance Analysts, to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Verification Report: Tianjin Pipe (Group) Corporation (''TPCO Group''), Tianjin Pipe Iron Manufacturing Co., Ltd. (''TPCO Iron''), Tianguan Yuantong Pipe Product Co., Ltd. (''Yuantong''), Tianjin Pipe International Economic and Trading Co., Ltd. (''TPCO International''), and TPCO Charging Development Co., Ltd. (''Charging'') (collectively, ''TPCO'')'' (October 29, 2009) (''TPCO Verification Report'') ; Memorandum from Maryanne Burke, Magd Zalok, and David Neubacher, International Trade Compliance Analysts, to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Wuxi Seamless Oil Pipe Co., Ltd., Jiangsu Fanli Steel Pipe Co., Ltd., and Mengfeng Special Steel Co., Ltd. Verification Report'' (October 29, 2009) (''WSP Verification Report''); and Memorandum from Scott Holland and Henry Almond, International Trade Compliance Analysts, to Susan H. Kuhbach, Office Director, AD/CVD Operations, Office 1, entitled ''Verification Report: Jianli Group'' (October 28, 2009).

We received case briefs from the GOC, Changbao, TPCO, WSP, Jianli and Petitioners (separately filed by Maverick Tube Corporation, United States Steel Corporation, and TMK IPSCO, V&M Star LP, Wheatland Tube Corporation, Evraz Rocky Mountain Steel, and United Steelworkers) on November 9, 2009. The same parties submitted rebuttal briefs on November 16, 2009.

The Department placed information on the record of this investigation on November 12, 2009 regarding electricity rates. The GOC filed comments on this information on November 16, 2009 and the United States Steel Corporation filed rebuttal comments on November 17, 2009.

TPCO, Maverick Tube Corporation, and United States Steel Corporation requested a hearing. The same parties later withdrew their requests. Therefore, no hearing was held.

Scope of the Investigation

The scope of this investigation consists of OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.,* whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (''API'') or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are: Casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to this investigation is currently classified in the Harmonized Tariff Schedule of the United States (''HTSUS'') under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80,

7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The OCTG coupling stock covered by the investigation may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00,, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80.

The HTSUS subheadings are provided for convenience and customs purposes only, the written description of the scope of this investigation is dispositive.

Injury Test

Because the PRC is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Tariff Act of 1930, as amended (the ''Act''), section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to a U.S. industry. On June 10, 2009, the U.S. International Trade Commission (''ITC'') issued its affirmative preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports of certain oil country tubular goods from the PRC. *See Certain Oil Country Tubular Goods from China; Determinations,* 74 FR 27559 (June 10, 2009) and *Certain Oil Country Tubular Goods from China: Investigation Nos. 701–TA–463 and 731–TA–1159 (Preliminary)* (June 2009).

Critical Circumstances

In the *Preliminary Determination,* the Department concluded that critical circumstances did not exist with respect to imports of OCTG from the PRC, in accordance with 703(e)(1) of the Act, because, there have not been massive imports of the subject merchandise over a relatively short period.

We have not received any information since the *Preliminary Determination* that would lead us to change our preliminary finding. Therefore, in accordance with 705(a)(2) of the Act, we continue to find that critical circumstances do not exist with respect to imports of subject merchandise from the PRC.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this investigation are addressed in the Memorandum from John M. Andersen, Acting Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Ronald K. Lorentzen, Acting Assistant Secretary for Import Administration, entitled *''Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Oil Country Tubular Goods from the People's Republic of China''* (November 23, 2009) (hereafter ''Decision Memorandum''), which is hereby adopted by this notice. Attached to this notice as an Appendix is a list of the issues that parties have raised and to which we have responded in the Decision Memorandum. Parties can find a complete discussion of all issues raised in this investigation and the corresponding recommendations in this public memorandum, which is on file in the Central Records Unit, room 1117 in the main building of the Commerce Department. In addition, a complete version of the Decision Memorandum can be accessed directly on the Internet at *http://ia.ita.doc.gov/frn/.* The paper copy and electronic version of the Decision Memorandum are identical in content.

Use of Adverse Facts Available

For purposes of this final determination, we have continued to rely on facts available and to draw an adverse inference, in accordance with sections 776(a) and (b) of the Act, to determine that the GOC's dominance of the market in the PRC for steel round billets results in significant distortion in that market. Consequently, we are not relying on domestic prices in the PRC in determining whether a benefit was conferred through the GOC's provision of steel round billets to the mandatory respondents. Similarly, we have continued to apply AFA to determine that all of the steel round billets were provided by government authorities.

In a departure from the *Preliminary Determination,* the Department now finds that the use of ''facts otherwise available'' is warranted with regard to the GOC's provision of electricity to the mandatory respondents. The Department requested information regarding electricity in its August 11, 2009 supplemental questionnaire. This information was not provided in the GOC's August 26, 2009, supplemental questionnaire response or its September 21, 2009, response. By not responding to our questionnaire, the GOC has failed to act to the best of its ability. Accordingly, we find that an adverse inference is warranted, pursuant to section 776(b) of the Act. Specifically, we find that the GOC's provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and is specific within the meaning of section 771(5A)(D)(iv) of the Act. We have also relied on an adverse inference in selecting a benchmark for determining the existence and amount of the benefit.

The Department also now finds that the use of ''facts otherwise available'' is warranted with regard to certain loans provided to TPCO and WSP under the ''Policy Loans'' program. In the Department's June 4, 2009, original questionnaire at page III–6, we requested respondents to ''report all loans to your company from State-owned commercial banks or Government of the People's Republic of China (GOC) policy banks that were outstanding during the POI.'' The same request was again made of WSP, in our August 7, 2009, supplemental questionnaire. At verification, both companies notified the Department that certain loans were not reported. *See* WSP Verification report at 2 and TPCO Verification Report at 17. By failing to report these loans, these companies failed to act to the best of their ability. Accordingly, we find that an adverse inference is warranted, pursuant to section 776(b) of the Act in regard to these unreported loans. As adverse facts available, we are assigning the highest rate calculated for a loan subsidy program in a PRC countervailing duty proceeding to the unreported loans. This rate will be weight-averaged with the calculated rate of reported loans found countervailable under the ''Policy Loans'' program.

For a full discussion of these issues, please see the Decision Memorandum, at ''Use of Facts Otherwise Available and Adverse Facts Available.''

Suspension of Liquidation

In accordance with section 705(c)(1)(B)(i)(I) of the Act, we have calculated individual rates for each producer/exporter of the subject merchandise individually investigated. Section 705(c)(5)(A)(i) of the Act states that for companies not investigated, we

will determine an ''all others'' rate equal to the weighted-average countervailable subsidy rates established for exporters and producers individually investigated, excluding any zero and *de minimis* countervailable subsidy rates, and any rates determined entirely under section 776 of the Act.

Exporter/manufacturer	Net subsidy rate
Jiangsu Changbao Steel Tube Co. and Jiangsu Changbao Precision Steel Tube Co., Ltd.	11.98
Tianjin Pipe (Group) Co., Tianjin Pipe Iron Manufacturing Co., Ltd., Tianguan Yuantong Pipe Product Co., Ltd., Tianjin Pipe International Economic and Trading Co., Ltd., and TPCO Charging Development Co., Ltd.	10.36
Wuxi Seamless Pipe Co., Ltd., Jiangsu Fanli Steel Pipe Co, Ltd., Tuoketuo County Mengfeng Special Steel Co., Ltd.	14.61
Zhejiang Jianli Enterprise Co., Ltd., Zhejiang Jianli Steel Steel Tube Co., Ltd., Zhuji Jiansheng Machinery Co., Ltd., and Zhejiang Jianli Industry Group Co., Ltd.	15.78
All Others	13.20

As a result of our *Preliminary Determination,* we instructed U.S. Customs and Border Protection (CBP) to suspend liquidation of all entries of OCTG from the PRC which were entered or withdrawn from warehouse, for consumption on or after September 15, 2009, the date of the publication of the *Preliminary Determination* in the **Federal Register** and to collect countervailing duty deposits or bonds in the amount of the preliminary countervailing duty rates.

In accordance with section 705(c)(1)(C) of the Act, we are directing CBP to continue to suspend liquidation of all imports of the subject merchandise from the PRC that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The suspension of liquidation instructions will remain in effect until further notice. We are also directing CBP to collect countervailing duty deposits or bonds at the rates described above.

We will issue a countervailing duty order if the ITC issues a final affirmative injury determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all deposits or securities posted as a result of the suspension of liquidation will be refunded or canceled.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an APO, without the written consent of the Assistant Secretary for Import Administration.

Return or Destruction of Proprietary Information

In the event that the ITC issues a final negative injury determination, this notice will serve as the only reminder to parties subject to an administrative protective order (''APO'') of their responsibility concerning the destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

This determination is published pursuant to sections 705(d) and 777(i) of the Act.

Dated: November 23, 2009.

Carole A. Showers,

Acting Deputy Assistant Secretary for Policy and Negotiations.

APPENDIX

List of Comments and Issues in the Decision Memorandum

[FR Doc. E9–28779 Filed 12–4–09; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX B

HEARING WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's hearing held in connection with the following investigations:

CERTAIN OIL COUNTRY TUBULAR GOODS (OCTG) FROM CHINA

Investigation Nos. 701-TA-463 and 731-TA-1159 (Final)

December 1, 2009 - 9:30 am

The hearing was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

UNITED STATES SENATE APPEARANCES:

The Honorable Arlen Specter, United States Senator, Pennsylvania

The Honorable Blanche L. Lincoln, United States Senator, Arkansas

The Honorable Sherrod C. Brown, United States Senator, Ohio

STATE GOVERNMENT APPEARANCE:

The Honorable Edward G. Rendell, Governor of Pennsylvania

The Honorable Ted Strickland, Governor of Ohio

U.S. HOUSE OF REPRESENTATIVE APPEARANCES:

The Honorable John P. Murtha, U.S. Representative, 12th District, Pennsylvania

The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana

The Honorable Dennis J. Kucinich, U.S. Representative, 10th District, Ohio

The Honorable Timothy F. Murphy, U.S. Representative, 18th District, Pennsylvania

The Honorable Timothy J. Ryan, U.S. Representative, 17th District, Ohio

The Honorable Jason Altmire, U.S. Representative, 4th District, Pennsylvania

The Honorable Betty Sutton, U.S. Representative, 13th District, Ohio

The Honorable Kathleen A. Dahlkemper, U.S. Representative, 3rd District, Pennsylvania

LOCAL GOVERNMENT OFFICIAL APPEARANCE:

The Honorable Jay Williams, Mayor of Youngstown, Ohio

IN SUPPORT OF THE IMPOSITION OF COUNTERVAILING/ANTIDUMPING DUTIES:

Schagrin Associates
Washington, D.C.
on behalf of

TMK IPSCO
Evraz Rocky Mountain Steel
V&M Star, L.P.
V&M TCA, LLC
Wheatland Tube Company
Northwest Pipe Company
United Steel Workers

Leo Gerard, President, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC

James Herald, Managing Director, V&M OCTG North America

Roger Lindgren, President, V&M Star

Michael Jardon, President, V&M USA Corporation

L. Scott Barnes, Senior Vice President & Chief Commercial Officer, TMK IPSCO

William Kerins, President, Wheatland Tube

Ralph Boswell, Vice President for North American Sales, Atlas Tube

Robert Simon, Vice President & General Manager, Evraz Rocky Mountain Steel

Robert Okrzesik, Director of Seamless Sales, Evraz Rocky Mountain Steel

Robert Mahoney, President of Tubular Products Group, Northwest Pipe Company

Roger B. Schagrin
John W. Bohn
) – OF COUNSEL

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, DC
on behalf of

United States Steel Corporation ("U.S. Steel")

John P. Surma, Chairman and Chief Executive Officer, U.S. Steel

Douglas R. Matthews, Vice President, Tubular Operations, U.S. Steel

George H. Thompson, General Manager, Commercial, Tubular Products, United States Steel Tubular Products, Inc.

Scott M. Dorn, General Manager, Tubular Marketing, United States Steel Tubular Products, Inc.

William M. Buono, Manager, Market Analysis, Strategy Tubular Products, United States Steel Products, Inc.

John B. Shoaff, President, Sooner Pipe, LLC

Scott DuBois, President, Premier Pipe, L.P.

Steve Miller, Co-Chief Executive Officer, Cinco Pipe and Supply, Inc.

Dr. Jerry A. Hausman, Professor of Economics, Massachusetts Institute of Technology

Dr. Seth T. Kaplan, Principal, The Brattle Group

Robert E. Lighthizer)
James C. Hecht)
Stephen P. Vaughn) – OF COUNSEL
Stephen J. Narkin)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Wiley Rein LLP
Washington, DC
on behalf of

Maverick Tube Corporation

Germán Curá, President, Maverick Tube Corporation &
Managing Director North America, Tenaris S.A.

Roland Balkenende, President, Tenaris Global Services
(USA) (Maverick Sales Division in the United States)

Guillermo Vogel, Vice President, Finance, Board Member,
Tenaris S.A.

Dr. Jerry A. Hausman, Professor of Economics,
Massachusetts Institute of Technology

Dr. Seth T. Kaplan, Principal, The Brattle Group

Alan H. Price)
Robert E. DeFrancesco, III) – OF COUNSEL

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Winston & Strawn LLP
Washington, D.C.
on behalf of

Chinese Respondent Producers of OCTG

Mike Jordan, CEO, Mike Jordan Co.

Byron Dunn, Principal, Tubular Synergy Group LP

Professor Thomas J. Prusa, Economic Consultant,
Rutgers University

James P. Durling)
Daniel L. Porter) – OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
OCTG: Summary data concerning the U.S. market, 2006-08, January-September 2008, and January-September 2009

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

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	4,735,058	4,106,957	6,718,749	4,465,197	2,000,303	41.9	-13.3	63.6	-55.2
Producers' share (1)	59.2	58.0	44.4	49.9	33.9	-14.8	-1.3	-13.5	-16.0
Importers' share (1):									
China	15.3	21.0	32.7	27.6	37.0	17.4	5.6	11.8	9.4
Other sources	25.4	21.1	22.8	22.5	29.2	-2.6	-4.4	1.8	6.6
Total imports	40.8	42.0	55.6	50.1	66.1	14.8	1.3	13.5	16.0
U.S. consumption value:									
Amount	6,446,654	5,206,325	11,562,912	6,918,304	3,680,600	79.4	-19.2	122.1	-46.8
Producers' share (1)	64.6	63.5	53.5	59.0	37.6	-11.1	-1.2	-10.0	-21.4
Importers' share (1):									
China	10.6	15.6	24.3	19.9	30.0	13.7	5.0	8.7	10.1
Other sources	24.8	20.9	22.3	21.1	32.4	-2.5	-3.9	1.3	11.3
Total imports	35.4	36.5	46.5	41.0	62.4	11.1	1.2	10.0	21.4
U.S. imports from:									
China:									
Quantity	725,027	860,711	2,197,556	1,232,826	739,659	203.1	18.7	155.3	-40.0
Value	681,292	811,542	2,805,206	1,377,072	1,105,138	311.7	19.1	245.7	-19.7
Unit value	$940	$943	$1,277	$1,117	$1,494	35.8	0.3	35.4	33.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	1,204,575	864,612	1,534,713	1,006,389	583,130	27.4	-28.2	77.5	-42.1
Value	1,598,489	1,089,955	2,572,888	1,461,709	1,192,040	61.0	-31.8	136.1	-18.4
Unit value	$1,327	$1,261	$1,676	$1,452	$2,044	26.3	-5.0	33.0	40.7
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	1,929,601	1,725,323	3,732,269	2,239,214	1,322,789	93.4	-10.6	116.3	-40.9
Value	2,279,781	1,901,497	5,378,094	2,838,781	2,297,177	135.9	-16.6	182.8	-19.1
Unit value	$1,181	$1,102	$1,441	$1,268	$1,737	22.0	-6.7	30.7	37.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	4,294,830	4,238,435	4,469,087	3,354,491	3,439,040	4.1	-1.3	5.4	2.5
Production quantity	2,943,048	2,508,029	3,081,518	2,267,478	606,651	4.7	-14.8	22.9	-73.2
Capacity utilization (1)	68.5	59.2	69.0	67.6	17.6	0.4	-9.4	9.8	-50.0
U.S. shipments:									
Quantity	2,805,457	2,381,634	2,986,480	2,225,983	677,514	6.5	-15.1	25.4	-69.6
Value	4,166,873	3,304,828	6,184,818	4,079,523	1,383,423	48.4	-20.7	87.1	-66.1
Unit value	$1,485	$1,388	$2,071	$1,833	$2,042	39.4	-6.6	49.2	11.4
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	374,234	430,873	389,263	380,471	288,337	4.0	15.1	-9.7	-24.2
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	5,448	5,396	5,819	5,497	3,398	6.8	-1.0	7.8	-38.2
Hours worked (1,000)	11,953	11,484	12,871	9,119	4,528	7.7	-3.9	12.1	-50.3
Wages paid ($1,000)	297,955	279,780	339,737	254,689	146,284	14.0	-6.1	21.4	-42.6
Hourly wages	$24.93	$24.36	$26.40	$27.93	$32.31	5.9	-2.3	8.3	15.7
Productivity (tons/1,000 hours)	246.2	218.4	239.4	248.7	134.0	-2.8	-11.3	9.6	-46.1
Unit labor costs	$101.24	$111.55	$110.25	$112.32	$241.13	8.9	10.2	-1.2	114.7
Net sales:									
Quantity	2,940,342	2,469,138	3,128,263	2,316,803	707,619	6.4	-16.0	26.7	-69.5
Value	4,378,324	3,444,495	6,434,811	4,223,978	1,451,262	47.0	-21.3	86.8	-65.6
Unit value	$1,489	$1,395	$2,057	$1,823	$2,051	38.1	-6.3	47.5	12.5
Cost of goods sold (COGS)	2,964,845	2,593,617	4,001,065	2,775,683	1,170,192	35.0	-12.5	54.3	-57.8
Gross profit or (loss)	1,413,479	850,878	2,433,746	1,448,295	281,070	72.2	-39.8	186.0	-80.6
SG&A expenses	194,752	252,459	336,428	239,019	221,128	72.7	29.6	33.3	-7.5
Operating income or (loss)	1,218,727	598,419	2,097,318	1,209,276	59,942	72.1	-50.9	250.5	-95.0
Capital expenditures	124,321	150,807	157,692	103,271	107,987	26.8	21.3	4.6	4.6
Unit COGS	$1,008	$1,050	$1,279	$1,198	$1,654	26.8	4.2	21.8	38.0
Unit SG&A expenses	$66	$102	$108	$103	$312	62.4	54.4	5.2	202.9
Unit operating income or (loss)	$414	$242	$670	$522	$85	61.8	-41.5	176.6	-83.8
COGS/sales (1)	67.7	75.3	62.2	65.7	80.6	-5.5	7.6	-13.1	14.9
Operating income or (loss)/ sales (1)	27.8	17.4	32.6	28.6	4.1	4.8	-10.5	15.2	-24.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

Table C-2
Seamless OCTG: Summary data concerning the U.S. market, 2006-08, January-September 2008, and January-September 2009

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

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	572,701	660,333	1,726,350	976,062	565,024	201.4	15.3	161.4	-42.1
Value	580,834	668,358	2,327,621	1,149,389	901,348	300.7	15.1	248.3	-21.6
Unit value	$1,014	$1,012	$1,348	$1,178	$1,595	32.9	-0.2	33.2	35.5
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
All other sources:									
Quantity	579,166	363,766	848,855	495,210	377,999	46.6	-37.2	133.4	-23.7
Value	1,030,267	618,138	1,664,563	855,987	917,728	61.6	-40.0	169.3	7.2
Unit value	$1,779	$1,699	$1,961	$1,729	$2,428	10.2	-4.5	15.4	40.5
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
All sources:									
Quantity	1,151,868	1,024,099	2,575,205	1,471,272	943,023	123.6	-11.1	151.5	-35.9
Value	1,611,102	1,286,496	3,992,184	2,005,376	1,819,076	147.8	-20.1	210.3	-9.3
Unit value	$1,399	$1,256	$1,550	$1,363	$1,929	10.8	-10.2	23.4	41.5
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available/not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

Table C-3
Welded OCTG: Summary data concerning the U.S. market, 2006-08, January-September 2008, and January-September 2009

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

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	152,325	200,378	471,206	256,764	174,635	209.3	31.5	135.2	-32.0
Value	100,458	143,184	477,585	227,684	203,789	375.4	42.5	233.5	-10.5
Unit value	$659	$715	$1,014	$887	$1,167	53.7	8.4	41.8	31.6
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
All other sources:									
Quantity	625,408	500,846	685,859	511,179	205,131	9.7	-19.9	36.9	-59.9
Value	568,221	471,817	908,325	605,722	274,312	59.9	-17.0	92.5	-54.7
Unit value	$909	$942	$1,324	$1,185	$1,337	45.8	3.7	40.6	12.9
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
All sources:									
Quantity	777,734	701,223	1,157,064	767,943	379,766	48.8	-9.8	65.0	-50.5
Value	668,679	615,001	1,385,910	833,405	478,101	107.3	-8.0	125.4	-42.6
Unit value	$860	$877	$1,198	$1,085	$1,259	39.3	2.0	36.6	16.0
Ending inventory quantity	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not available/not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

APPENDIX D

TARIFF TREATMENT OF OCTG IN 2009

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	1 Special	2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
7304.29		Other:				
		Casing:				
		Of iron or nonalloy steel:				
7304.29.10		Threaded or coupled		Free		20%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.20		Other		Free		1%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	1 Special	2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
7304.29 (con.)		Other (con.):				
		Casing (con.):				
		Of other alloy steel:				
7304.29.31		Threaded or coupled		Free		28%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.41		Other		Free		8.5%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
7304.29 (con.)		Other (con.):				
		Tubing:				
7304.29.50		Of iron or nonalloy steel		Free		25%
		Having an outside diameter not exceeding 114.3 mm:				
	15	Having a wall thickness not exceeding 9.5 mm	kg			
	30	Having a wall thickness exceeding 9.5 mm	kg			
	45	Having an outside diameter exceeding 114.3 mm but less than 215.9 mm	kg			
	60	Having an outside diameter of 215.9 mm or more but not exceeding 406.4 mm	kg			
	75	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.61		Of other alloy steel		Free		35%
		Having an outside diameter not exceeding 114.3 mm:				
	15	Having a wall thickness not exceeding 9.5 mm	kg			
	30	Having a wall thickness exceeding 9.5 mm	kg			
	45	Having an outside diameter exceeding 114.3 mm but less than 215.9 mm	kg			
	60	Having an outside diameter of 215.9 mm or more but not exceeding 406.4 mm	kg			
	75	Having an outside diameter exceeding 406.4 mm	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of iron or nonalloy steel:				
7304.31		Cold-drawn or cold-rolled (cold-reduced):				
7304.31.30	00	Hollow bars	kg	Free		22%
7304.31.60		Other		Free		25%
	10	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
	50	Other	kg			
7304.39.00		Other		Free		25%
		Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters:				
	02	Having an outside diameter less than 38.1 mm	kg			
	04	Having an outside diameter of 38.1 mm or more but less than 190.5 mm	kg			
	06	Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm	kg			
	08	Having an outside diameter exceeding 285.8 mm	kg			
		Other:				
	16	Galvanized, having an outside diameter not exceeding 114.3 mm	kg			
		Other:				
	20	Having an outside diameter less than 38.1 mm	kg			
		Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm:				
	24	Having a wall thickness less than 6.4 mm	kg			
	28	Having a wall thickness of 6.4 mm or more but not exceeding 12.7 mm	kg			
	32	Having a wall thickness exceeding 12.7 mm	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of iron or nonalloy steel (con.):				
7304.39.00 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
		Having an outside diameter exceeding 114.3 mm but less than 190.5 mm:				
	36	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	44	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm:				
	48	Having a wall thickness less than 12.7 mm	kg			
	52	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	56	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	62	Having a wall thickness less than 12.7 mm	kg			
	68	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	72	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter exceeding 406.4 mm:				
	76	Having a wall thickness less than 19 mm	kg			
	80	Having a wall thickness of 19 mm or more	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of stainless steel:				
7304.41		Cold-drawn or cold-rolled (cold-reduced):				
7304.41.30		Of an external diameter of less than 19 mm		Free		36%
	05	Of high-nickel alloy steel	kg			
		Other:				
	15	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
	45	Other	kg			
7304.41.60		Other		Free		36%
	05	Of high-nickel alloy steel	kg			
		Other:				
	15	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
	45	Other	kg			
7304.49.00		Other		Free		36%
	05	Of high-nickel alloy steel	kg			
		Other:				
	15	Hollow bars	kg			
		Other:				
	45	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
	60	Other	kg			
		Other, of circular cross section, of other alloy steel:				
7304.51		Cold-drawn or cold-rolled (cold-reduced):				
7304.51.10	00	Suitable for use in the manufacture of ball or roller bearings	kg	Free		34%
7304.51.50		Other		Free		35%
	05	Of high-nickel alloy steel	kg			
		Other:				
		Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters:				
	15	Of heat-resisting steel	kg			
	45	Other	kg			
	60	Other	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of other alloy steel (con.):				
7304.59		Other:				
7304.59.10	00	Suitable for use in the manufacture of ball or roller bearings	kg	Free		34%
		Other:				
7304.59.20		Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters		Free		35%
	30	Of heat-resisting steel	kg			
		Other:				
	40	Having an outside diameter less than 38.1 mm	kg			
	45	Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm	kg			
	55	Having an outside diameter exceeding 114.3 mm but less than 190.5 mm	kg			
	60	Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm	kg			
	70	Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
		Other:				
7304.59.60	00	Of heat-resisting steel	kg	Free		36%
7304.59.80		Other		Free		35%
	10	Having an outside diameter less than 38.1 mm	kg			
		Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm:				
	15	Having a wall thickness less than 6.4 mm	kg			
	20	Having a wall thickness of 6.4 mm or more but not exceeding 12.7 mm	kg			
	25	Having a wall thickness exceeding 12.7 mm	kg			
		Having an outside diameter exceeding 114.3 mm but less than 190.5 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	35	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	40	Having a wall thickness of 19 mm or more	kg			

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	1 Special	2
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of other alloy steel (con.):				
7304.59 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
7304.59.80 (con.)		Other (con.):				
		Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm:				
	45	Having a wall thickness less than 12.7 mm	kg			
	50	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	55	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	60	Having a wall thickness less than 12.7 mm	kg			
	65	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	70	Having a wall thickness of 19 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.90		Other:				
		Having a wall thickness of 4 mm or more:				
7304.90.10	00	Of iron or nonalloy steel	kg	Free		1%
7304.90.30	00	Of alloy steel	kg	Free		8.5%
		Having a wall thickness of less than 4 mm:				
7304.90.50	00	Of iron or nonalloy steel	kg	Free		25%
7304.90.70	00	Of alloy steel	kg	Free		35%

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	Rates of Duty 1 Special	Rates of Duty 2
7305		Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross sections, the external diameter of which exceeds 406.4 mm, of iron or steel:				
		Line pipe of a kind used for oil or gas pipelines:				
7305.11		Longitudinally submerged arc welded:				
7305.11.10		Of iron or nonalloy steel		Free		5.5%
	30	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
	60	With an external diameter exceeding 609.6 mm	kg			
7305.11.50	00	Of alloy steel	kg	Free		10%
7305.12		Other, longitudinally welded:				
7305.12.10		Of iron or nonalloy steel		Free		5.5%
	30	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
	60	With an external diameter exceeding 609.6 mm	kg			
7305.12.50	00	Of alloy steel	kg	Free		10%
7305.19		Other:				
7305.19.10		Of iron or nonalloy steel		Free		5.5%
	30	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
	60	With an external diameter exceeding 609.6 mm	kg			
7305.19.50	00	Of alloy steel	kg	Free		10%
7305.20		Casing of a kind used in drilling for oil or gas:				
		Of iron or nonalloy steel:				
7305.20.20	00	Threaded or coupled	kg	Free		20%
7305.20.40	00	Other	kg	Free		1%
		Of alloy steel:				
7305.20.60	00	Threaded or coupled	kg	Free		28%
7305.20.80	00	Other	kg	Free		8.5%
		Other, welded:				
7305.31		Longitudinally welded:				
7305.31.20	00	Tapered pipes and tubes of steel principally used as parts of illuminating articles	kg	Free		45%
		Other:				
7305.31.40	00	Of iron or nonalloy steel	kg	Free		5.5%
7305.31.60	00	Of alloy steel	kg	Free		10%
7305.39		Other:				
7305.39.10	00	Of iron or nonalloy steel	kg	Free		5.5%
7305.39.50	00	Of alloy steel	kg	Free		10%
7305.90		Other:				
7305.90.10	00	Of iron or nonalloy steel	kg	Free		5.5%
7305.90.50	00	Of alloy steel	kg	Free		10%

Heading/ Subheading	Stat. Suf-fix	Article Description	Unit of Quantity	Rates of Duty 1 General	1 Special	2
7306		Other tubes, pipes and hollow profiles (for example, open seamed or welded, riveted or similarly closed), of iron or steel:				
		Line pipe of a kind used for oil or gas pipelines:				
7306.11.00		Welded, of stainless steel		Free		10%
	10	With an outside diameter not exceeding 114.3 mm	kg			
	50	With an outside diameter exceeding 114.3 mm	kg			
7306.19		Other:				
7306.19.10		Of iron or nonalloy steel		Free		5.5%
	10	With an outside diameter not exceeding 114.3 mm	kg			
	50	With an outside diameter exceeding 114.3 mm	kg			
7306.19.51		Of alloy steel		Free		10%
	10	With an outside diameter not exceeding 114.3 mm	kg			
	50	With an outside diameter exceeding 114.3 mm	kg			
		Casing and tubing of a kind used in drilling for oil or gas:				
7306.21		Welded of stainless steel:				
		Casing:				
7306.21.30	00	Threaded or coupled	kg	Free		28%
7306.21.40	00	Other	kg	Free		8.5%
7306.21.80		Tubing		Free		10%
	10	Imported with coupling	kg			
	50	Other	kg			
		Other:				
		Casing:				
		Of iron or nonalloy steel:				
7306.29.10		Threaded or coupled		Free		20%
	30	Imported with coupling	kg			
	90	Other	kg			
7306.29.20	00	Other	kg	Free		1%
		Other:				
7306.29.31	00	Threaded or coupled	kg	Free		28%
7306.29.41	00	Other	kg	Free		8.5%
		Tubing:				
7306.29.60		Of iron or nonalloy steel		Free		5.5%
	10	Imported with coupling	kg			
	50	Other	kg			
7306.29.81		Other		Free		10%
	10	Imported with coupling	kg			
	50	Other	kg			

APPENDIX E

ADDITIONAL INFORMATION CONCERNING U.S. PRODUCERS' OPERATIONS

U.S. producers were asked to respond to several questions with regard to their OCTG production operations. Their responses are presented below.

1. Please request your clients expand upon their responses to question II-2, particularly with respect to whether having multiple mills under the same corporate ownership has changed their ability to respond to demand conditions (particularly the recent downturn in demand) and whether multiple production facilities or new, presumably better-financed ownership have enhanced their ability control costs (again, particularly in periods of reduced demand).

EVRAZ:

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TMK IPSCO:

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U.S. Steel:

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V&M Star TCA:

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2. Please request your clients expand upon their responses to question II-4, if they reported that they had available capacity during the period January-September 2008. Please ask your clients to address tube production and heat treatment separately.

EVRAZ:

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TMK IPSCO:

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U.S. Steel:

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V&M Star TCA:

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3. Please request your clients to expand upon their responses to question III-16 of the Producers' Questionnaire, if they operate both seamless and welded OCTG facilities. Please focus especially on performance at these different facilities, including differing levels of production and utilization of capacity; employment; order book trends; financial performance; and broader measures such as whether facilities producing one form of OCTG remained open while facilities producing another form were closed.

EVRAZ:

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TMK IPSCO:

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U.S. Steel:

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V&M Star TCA:

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APPENDIX F

NONSUBJECT PRICING

Nonsubject Price Comparisons

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Number of quarterly comparisons for all reported specified products[1]				
Nonsubject Countries	United States		China	
	Higher	Lower	Higher	Lower
Austria	***	***	***	***
Brazil	***	***	***	***
Canada	***	***	***	***
Germany	***	***	***	***
Korea	***	***	***	***
Russia	***	***	***	***
South Africa	***	***	***	***
Turkey	***	***	***	***
Venezuela	***	***	***	***
Total	58	44	53	29

[1] "Higher" signifies that the price of the nonsubject country's product was higher than the U.S. or Chinese price.

Source: Compiled fro data received in Commission questionnaires.

Figure F-1
OCTG: Weighted-average f.o.b. prices and quantities of products 1-6, by country, January 2006-September 2009

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APPENDIX G

ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL AND DIFFERENCES IN THE PERFORMANCE OF MULTIPLE OCTG PRODUCTION FACILITIES

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2006, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of OCTG from China. In addition, U.S. producers were asked to discuss any differences in the performance of their multiple OCTG production facilities. Their responses are as follows:

Actual Negative Effects

Evraz RMS

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Maverick

* * * * * * *

TMK IPSCO

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U.S. Steel

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V&M Star

* * * * * * *

V&M TCA

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Wheatland

* * * * * * *

Anticipated Negative Effects

Evraz RMS

* * * * * * *

Maverick

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TMK IPSCO

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U.S. Steel

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V&M Star

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V&M TCA

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Wheatland

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Differences in performance of multiple OCTG production facilities

Maverick

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TMK IPSCO

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U.S. Steel

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V&M Star

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V&M TCA

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Wheatland

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