Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea

Investigation Nos. 701-TA-455 and
731-TA-1149-1150 (Preliminary)

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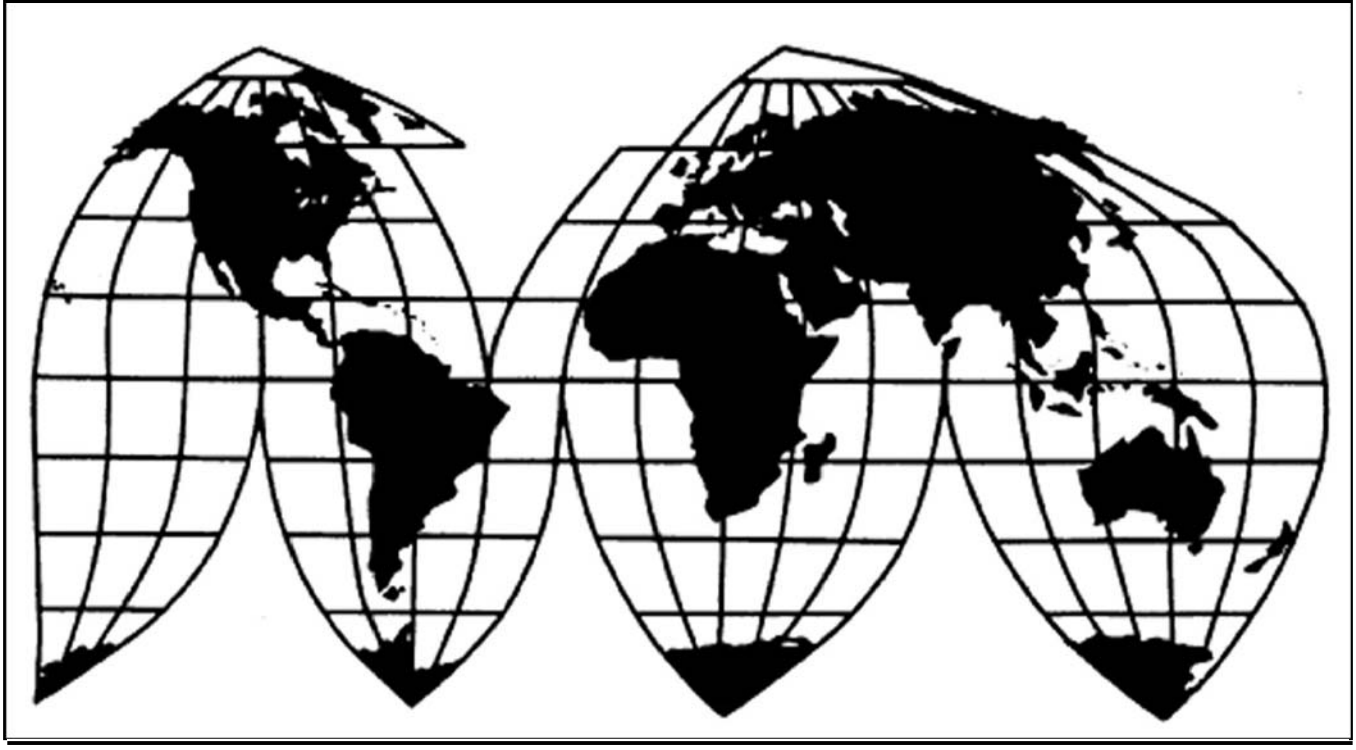
U.S. International Trade Commission



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U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary)

CERTAIN CIRCULAR WELDED CARBON QUALITY STEEL LINE PIPE
FROM CHINA AND KOREA

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,[2] or threatened with material injury[3] by reason of imports from China and Korea of circular welded carbon quality steel line pipe, provided for in subheading 7306.19 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of China and sold in the United States at less than fair value (LTFV).

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 these 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 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 3, 2008, a petition was filed with the Commission and Commerce by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, 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 or threatened with material injury by reason of subsidized imports of certain circular welded carbon quality steel line pipe from China and LTFV imports of circular welded carbon quality steel line pipe from China and Korea. Accordingly, effective April 3, 2008, the Commission instituted countervailing duty investigation No. 701-TA-455 (Preliminary) and antidumping duty investigation Nos. 731-TA-1149-1150 (Preliminary).

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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] Commissioner Charlotte R. Lane, Commissioner Irving A. Williamson, and Commissioner Dean A. Pinkert determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain circular welded carbon quality steel line pipe from China and Korea.

[3] Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain circular welded carbon quality steel line pipe from China and Korea.

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 14, 2008 (73 FR 20064). The conference was held in Washington, DC, on April 24, 2008, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured,[1] or threatened with material injury,[2] by reason of imports of certain circular welded carbon quality steel line pipe ("line pipe") from China and Korea that are allegedly sold in the United States at less than fair value ("LTFV") and by reason of imports of such pipe from China that are allegedly subsidized.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[3] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[4]

II. BACKGROUND

The petition was filed on April 3, 2008, by three domestic producers (Maverick Tube Corp. and Tex-Tube Company of Houston, Texas, and U.S. Steel Corp. of Pittsburgh, Pennsylvania) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC.[5] Representatives of all four petitioners appeared at the staff conference accompanied by counsel. Petitioners Maverick Tube Corp. and U.S. Steel Corp. filed a joint postconference brief ("Petitioners' Postconference Brief"), and petitioner Tex-Tube Company filed a separate postconference brief ("Tex-Tube's Postconference Brief").

Three Korean producers are respondents: SeAH Steel Corporation, Husteel Co., Ltd and Hyundai HYSCO ("Korean Respondents"). A representative of Hyundai Corporation USA (an importer) appeared at the conference. The Korean Respondents also filed a postconference brief ("Korean

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[1] Commissioner Charlotte R. Lane, Commissioner Irving A. Williamson, and Commissioner Dean A. Pinkert determine that there is a reasonable indication that a domestic industry is materially injured by reason of subject imports of certain circular welded carbon quality steel line pipe from China and Korea. See Views of Commissioners Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert Concerning Reasonable Indication of Material Injury.

[2] Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun determine that there is a reasonable indication that a domestic industry is threatened with material injury by reason of subject imports of certain circular welded carbon quality steel line pipe from China and Korea. See Views of Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun Concerning Reasonable Indication of Threat of Material Injury.

[3] 19 U.S.C. §§ 1671b(a) and 1673b(a); see also, e.g., Co-Steel Raritan, Inc. v. United States, 357 F.3d 1294 (Fed. Cir. 2004); American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[4] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[5] Petition at 2.

Respondents' Postconference Brief"). No producers or exporters of line pipe in China appeared at the conference or submitted briefs.

III. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole 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."[7] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[8]

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.[9] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[10] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[11] Although the Commission must accept the determination of the U.S. Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly sold at LTFV,[12] the Commission determines what domestic product is like the imported articles Commerce has identified.[13] The Commission must base its domestic like product determination on the record in this investigation.

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[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

[9] See, e.g., 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: (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).

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

[11] Nippon Steel, 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.").

[12] See, e.g., USEC, Inc. v. United States, Slip Op. 01-1421 (Fed. Cir. April 25, 2002) at 9 ("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).

[13] 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); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[14]

B. Product Description

Commerce defined the imported merchandise within the scope of these investigations as follows:

> circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (''welded line pipe''), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.[15]

The Commission follows the determination of Commerce as to the scope of the imported merchandise alleged to be sold at less than fair value and subsidized in the preliminary phase of these investigations.[16]

Line pipe[17] for use in oil and gas pipelines generally is produced to American Petroleum Institute (API) specifications.[18] The API specifications require higher hydrostatic test pressures and more restrictive weight tolerances for line pipe than for pipe used in low pressure conveyances of water or steam, known as standard pipe.[19] Line pipe has either a black (lacquered) finish or bare surface finish. It is typically marked or "stenciled" with paint on the outside surface by the manufacturer to indicate the specification in conformance with which it has been manufactured.[20] Because line pipe that complies with API specifications is automatically in conformance with the less demanding standard pipe specifications of the American Society for Testing and Materials (ASTM) and the American Society of

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[14] Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp. 2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT at 455; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[15] Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations, 73 Fed. Reg. 231888, 23189 (April 29, 2008); Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Notice of Initiation of Countervailing Duty Investigation, 73 Fed. Reg. 23184, 23185 (April 29, 2008). The subject merchandise is provided for in statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150 of the Harmonized Tariff Schedules of the United States (HTS). Id.

[16] Commerce's scope of investigation overlaps with that of another ongoing investigation, Circular Welded Carbon Quality Steel Pipe from China, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final). Line pipe from China which meets the above scope definition, and typically meets certain American Petroleum Institute (API) specifications, falls within the circular welded pipe scope definition when it has "one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish." 73 Fed. Reg. 2445, 2447 (Jan. 15, 2008). Commerce has indicated that it intends to ensure that there will be no overlap between the scope of the investigations concerning circular welded pipe and these investigations. 73 Fed. Reg. 23189 (April 29, 2008). While the scope of these investigations may change in the final phase of the investigations, for now we accept the definition that Commerce has provided and base our determination as to the domestic like product on that definition. Therefore, the existence of the overlap does not affect our determination as to domestic like product. See, e.g., USEC, Inc. v. United States, Slip Op. 01-1421 (Fed. Cir. April 25, 2002) at 9 ("The ITC may not modify the class or kind of imported merchandise examined by Commerce.").

[17] We use the term "line pipe" to refer to line pipe 16 inches or less in outside diameter, unless otherwise noted.

[18] Confidential Staff Report INV-FF-056 (May 12, 2008), as revised by INV-FF-057 (May 14, 2008) ("CR") at I-9; Public Staff Report ("PR") at I-8.

[19] CR at I-10, PR at I-8.

[20] CR at I-9, PR at I-8.

Manufacturing Engineers (ASME), it is often dual (or multiple) stenciled so that it can be used in both line pipe and standard pipe applications.[21] Most line pipe has a beveled end for welding in the field, although it is sometimes square cut.[22]

Line pipe is made from "carbon quality" steel which includes both carbon steel and carbon steel combined with small amounts of alloys.[23] Line pipe is most commonly manufactured by the electric-resistance-welded (ERW) process, but the continuous weld (CW) process can be used for pipe up to 4.5 inches in outer diameter.[24] The manufacture of line pipe by the ERW process begins with coils of hot-rolled steel sheet, which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe.[25] The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The formed pipe is then welded along the joint axis, and inside and outside flash from the welding process is removed. After post-weld heat treatment, sizing rolls shape the tube to specific diameter tolerances. The product is cooled and then cut at the end of the tube mill by a flying shear or saw.[26] Line pipe can be, and often is, produced on the same equipment and with the same workers that produce other forms of welded pipe, in particular standard pipe and oil country tubular goods (OCTG),[27] as well as large diameter line pipe, *i.e.*, line pipe over 16 inches in diameter.[28]

C. Domestic Like Product

Petitioner proposes that the Commission define one domestic like product, line pipe, coextensive with the scope of the investigation.[29] The Korean Respondents do not disagree. For the reasons discussed below, we define a single domestic like product consisting of line pipe 16 inches and under in diameter, coextensive with the scope of the investigations.

The record in these investigations shows that all line pipe is used for the same general purpose – conveyance of oil and gas – although there is at least some overlap in the uses of line pipe of different sizes.[30] The size range under investigation is generally used for gathering oil or gas at the point of extraction or distributing oil and gas to consumers, but it is also used occasionally for large pipeline projects.[31]

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[21] CR at I-10, PR at I-10.

[22] CR at I-9, PR at I-8.

[23] CR at I-7, PR at I-6. Commerce's scope defines "carbon quality" to mean products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: (i) 2.00 percent of manganese, (ii) 2.25 percent of silicon, (iii) 1.00 percent of copper, (iv) 0.50 percent of aluminum, (v) 1.25 percent of chromium, (vi) 0.30 percent of cobalt, (vii) 0.40 percent of lead, (viii) 1.25 percent of nickel, (ix) 0.30 percent of tungsten, (x) 0.012 percent of boron, (xi) 0.50 percent of molybdenum, (xii) 0.15 percent of niobium, (xiii) 0.41 percent of titanium, (xiv) 0.15 percent of vanadium, or (xv) 0.15 percent of zirconium. CR at I-7-8, PR at I-6 (citing 73 Fed. Reg. 23189 (Apr. 29, 2008)).

[24] CR at I-11, PR at I-9.

[25] CR at I-11, PR at I-9.

[26] CR at I-11 to I-12, PR at I-9.

[27] CR at I-12, PR at I-12; CR/PR Table III-4.

[28] CR/PR at Table III-4.

[29] Petitioners' Postconference Brief at 7.

[30] CR at I-3, I-3 n.4, , PR at I-3, I-3 n.4.

[31] Conference Transcript (Tr.) at 79. See Tr. at 76. Small diameter line pipe is occasionally used for transmission as well.

Large diameter line pipe, which exceeds 16 inches in diameter, is generally used for transportation of gas and oil over long distances.[32] As large diameter line pipe is generally used for different applications than the size range under investigation, the two size ranges are not generally interchangeable.[33] The Commission has previously determined that large diameter line pipe is a distinct domestic like product from line pipe 16 inches and under in diameter,[34] and we do not find any evidence on the record of these investigations that suggests that we should reconsider that determination. Consequently, we define the domestic like product to be coextensive with Commerce's scope of investigation, consisting of line pipe 16 inches and under in diameter.

D. Domestic Industry

1. Domestic Industry

The domestic industry is defined as the domestic "producers as a [w]hole 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."[35] 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 finding that the domestic like product is line pipe, for purposes of the preliminary phase of these investigations we define a single domestic industry consisting of all domestic producers of line pipe.[36]

IV. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.[37] In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

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[32] CR at II-1, PR at II-1; Tr. at 47, 91.
[33] CR at II-1, PR at II-1.
[34] See Certain Welded Large Diameter Line Pipe From Japan and Mexico, Inv. Nos. 731-TA-919 and 920 (Review), USITC Pub. 3593 (Oct. 2007).
[35] 19 U.S.C. § 1677(4)(A).
[36] No domestic producer is related to an exporter or importer of the subject merchandise and none imported the subject merchandise during the period. 19 U.S.C. § 1677(4)(B).
[37] 19 U.S.C. § 1677(7)(G)(i).

(4) whether the subject imports are simultaneously present in the market.[38]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.[39] [40] Only a "reasonable overlap" of competition is required.[41]

B. Analysis

Petitioners argue that, under the facts in this record, the Commission is required to cumulate imports from the two subject countries.[42] Respondents do not argue that, for purposes of our present injury analysis, imports from the two subject countries should not be cumulated.[43]

The threshold requirement for cumulation is satisfied because petitioners filed a petition with respect to each of the subject countries on the same day. None of the statutory exceptions to cumulation is applicable.[44] We next examine the four factors that the Commission customarily considers in determining whether there is a reasonable overlap of competition.

1. Fungibility

We find a reasonable degree of fungibility among the subject imports from China and Korea and the domestic like product. While the Korean Respondents have questioned whether subject imports from China are fungible with domestic or Korean product,[45] the record indicates sufficient fungibility for purposes of cumulation. All domestic producers and importers familiar with the products reported that subject imports from China were "always," "frequently," or "sometimes" interchangeable with subject imports from Korea, and all such responding domestic producers and 13 of the 14 reporting importers reported that subject imports from China were "always," "frequently," or "sometimes" interchangeable

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

[39] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[40] Commissioner Lane notes that, with respect to fungibility, her analysis does not require such similarity of products that a perfectly symmetrical fungibility is required and this factor would be better described as an analysis of whether subject imports from each country and the domestic like product could be substituted for each other. See Separate Views of Commissioner Charlotte R. Lane, Certain Lightweight Thermal Paper from China, Germany, and Korea, Inv. Nos. 701-TA-451 (Preliminary) and 731-TA-1126-1128 (Preliminary), USITC Pub. 3964 (November 2007).

[41] The SAA expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988)), aff'd 859 F.2d 915 (Fed. Cir. 1988). See Goss Graphic Sys., Inc. v. United States, 33 F. Supp. 2d 1082,1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[42] Petitioners' Postconference Brief at 8-10.

[43] Tr. at 115-116.

[44] See 19 U.S.C. § 1677(7)(G) (ii).

[45] See, e.g., Korean Respondents' Postconference Brief, Exhibit 12 (declaration concerning unsuitability of Chinese product).

with domestic line pipe.[46] All responding domestic producers and importers familiar with the products reported that the domestic line pipe and subject imports from Korea were always or frequently interchangeable.[47] All domestic producers reported that non-price factors were sometimes or never important in purchasing decisions with respect to the subject imports, as did a majority of responding importers familiar with the products.[48] Three importers also reported that imports from China are not approved for some applications.[49]

While quality differences may limit the fungibility of subject imports from China to some extent, the questionnaire responses indicate that the imports from China are at least moderately substitutable with domestic line pipe and subject imports from Korea. Given these responses and the fact that line pipe is generally made to API specifications, we find, for purposes of the preliminary phase of the these investigations, that the record indicates that there is sufficient fungibility among subject imports from China, subject imports from Korea, and domestic line pipe to support a finding of a reasonable overlap of competition.

2. Geographical Markets

We find a broad overlap in geographic markets among subject imports from China, subject imports from Korea, and domestic line pipe. Subject imports from both countries entered the United States at over 15 ports located on the East, West and Gulf Coasts, even without taking into account subsequent shipments between regions.[50] While the entries tended to be concentrated in ports such as Houston and Los Angeles, there were also entries by subject imports at the ports of New York City, Baltimore and Philadelphia, suggesting that competition is occurring across the United States.[51] Domestic line pipe also competes in a national market.[52]

3. Simultaneous Presence

The domestic like product and subject imports from China and Korea were simultaneously present in the U.S. market during the period of investigation. Domestic producers shipped line pipe in the U.S. market in 2005, 2006, and 2007 based on annual data.[53] Based on monthly port entry data, imports of subject line pipe from China and Korea entered the U.S. market in every month from January 2005 through December 2007, with the exception that no subject imports from China entered the U.S. market in January 2005.[54]

4. Channels of Distribution

Most U.S. shipments of line pipe by domestic producers went to distributors, although shipments to end users increased over the period of investigation. In 2005, 71.2 percent of domestic producers' U.S. shipments went to distributors and 28.8 percent went to end users, whereas in 2007, 53.3 percent of

[46] CR/PR at Table II-2.
[47] CR/PR at Table II-2.
[48] CR/PR at Table II-3.
[49] CR at II-8, PR at II-6.
[50] CR/PR at Table IV-4, Table IV-5.
[51] CR/PR at Table IV-4, Table IV-5.
[52] CR at II-1, PR at II-1.
[53] CR/PR at Table IV-7.
[54] CR/PR at Table IV-6.

domestic producers' U.S. shipments went to distributors and 46.7 percent went to end users. All importer shipments of subject imports, whether from China or Korea, went to distributors.[55]

5. Conclusion

Based on our consideration of the four criteria discussed above, we find that there is a reasonable overlap of competition among the subject imports and the domestic like product, and we cumulate subject imports from China and Korea for purposes of our present material injury analysis.

V. REASONABLE INDICATION OF MATERIAL INJURY OR THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS[56]

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[57] 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 their U.S. production operations.[58] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[59] In assessing whether there is a reasonable indication that 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.[60] 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."[61]

For the reasons stated below, we determine that there is a reasonable indication that the domestic industry producing line pipe is materially injured or threatened with material injury by reason of subject imports from China and Korea.

A. Conditions of Competition and the Business Cycle

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

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

[56] Negligibility is not an issue in these investigations under 19 U.S.C. § 1677(24). Official statistics from Commerce indicate that from April 2007 through March 2008, the most recent 12-month period preceding the filing of the petition for which data were available, subject imports from China accounted for 39.9 percent of total line pipe imports and subject imports from Korea accounted for 31.2 percent of total line pipe imports. CR at IV-7, PR at IV-6.

[57] 19 U.S.C. §§ 1671b(a) and 1673b(a).

[58] 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 . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). See also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[59] 19 U.S.C. § 1677(7)(A).

[60] 19 U.S.C. § 1677(7)(C)(iii).

[61] 19 U.S.C. § 1677(7)(C)(iii).

1. Product Considerations

As noted above, line pipe is produced to API specification 5L. Line pipe bears that stencil as well as grades such as B, X-42 or X-52.[62] Pipe that is in conformance with API Specification 5L Grade B is automatically also in conformance with the less restrictive standard pipe specification of the American Society for Testing and Materials, ASTM A-53 Grade B. As a consequence, manufacturers often mark such product with both specifications so that it may be used as standard pipe or line pipe ("dual stenciling").[63] While line pipe can be used for less demanding standard pipe applications, most producers and importers agreed in their questionnaire responses that there are no substitute products for line pipe when it is used for oil and gas applications.[64] [65]

2. Demand Conditions

Demand for line pipe, which is principally used in the gathering and distribution of oil and gas, is tied to oil and gas exploration (and ultimately to demand for oil and gas).[66] When measured by apparent U.S. consumption, U.S. line pipe demand increased sharply from 872,606 short tons in 2005 to 1,403,335 short tons in 2006, before declining slightly to 1,375,726 short tons in 2007, for an overall increase of 57.7 percent during the period.[67] Most producers and importers reported in their questionnaire responses that the increase in demand was due to the high level of activity in the oil and gas industries.[68]

A domestic industry representative at the Staff Conference explained that the expansion of drilling for natural gas, rather than oil exploration, was responsible for much of the increase in demand during the period.[69] Domestic industry representatives also suggested that demand, as evidenced by the rig count, is likely to stabilize at the higher levels seen at the end of the period, with further slight increases.[70] There are reports that demand for line pipe outside of the United States has also increased.[71]

While line pipe 16 inches and under in outside diameter is generally used for gathering oil or gas at the point of extraction or distributing oil or gas to consumers,[72] a number of large transmission projects during the period also boosted demand for line pipe. Such projects typically call for large diameter pipe, but at least two projects used line pipe 14 to 16 inches in diameter.[73]

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[62] CR at I-9, PR at I-8.

[63] CR at I-10, PR at I-8.

[64] See CR at II-7, PR at II-5.

[65] Korean Respondents claim that end users often find the subject imports from China unacceptable for line pipe applications, and moreover, Chinese line pipe is frequently dual stenciled so that it does not face high preliminary antidumping duties resulting from Commerce's preliminary determination in the ongoing investigation concerning standard pipe from China. They assert that a significant portion of subject imports from China is actually being utilized in standard pipe applications. See Korean Respondents' Brief at 26. We will examine this issue more thoroughly in any final phase investigations.

[66] CR at II-5, PR at II-3, II-5.

[67] CR/PR at Table IV-8.

[68] CR at II-5, PR at II-5.

[69] Tr. at 54, 67.

[70] Tr. at 56; Korean Respondents' Postconference Brief at Exhibit 2. The "rig count" is the number of rigs actively drilling and exploring for crude oil or natural gas in the United States. See CR at Fig. II-2.

[71] CR at II-5, PR at II-5.

[72] See Tr. at 76.

[73] Petitioners' Postconference Brief at 15-16; Korean Respondents' Postconference Brief at Exhibit 16 (listing pipeline projects). While the Overland Pass Pipeline is due to be completed this year, the schedule for the other projects is unclear. CR at III-4, PR at III-2 to III-3.

3. Supply Conditions

Nine producers accounted for almost all U.S. commercial shipments of line pipe during the period.[74] During the period examined, the line pipe industry underwent extensive restructuring, including Tenaris' purchase of Maverick in October 2006, IPSCO's purchase of NS Group in December 2006, and U.S. Steel's purchase of Lone Star in June 2007.[75] Despite the restructuring and some associated production curtailments, U.S. producers' shipments increased over the period, though the volume of subject imports increased more than did the volume of U.S. producers' shipments.[76] The result was a decline in the domestic industry's market share, from 59.9 percent in 2005 to 52.9 percent in 2007.[77] The domestic industry's capacity, production, and capacity utilization all rose from 2005 to 2007.[78]

Line pipe is often produced on the same equipment and with the same workers that produce other forms of welded pipe, in particular standard pipe, oil country tubular goods (OCTG),[79] and large diameter line pipe.[80] Line pipe of 16 inches and under in diameter typically accounted for less than a quarter of the industry's production of pipe products.[81] Both subject line pipe and large diameter line pipe experienced extensive growth in production during the period.[82]

Domestic supply of line pipe is also supplemented by nonsubject imports.[83] Nonsubject imports increased from 2005 to 2006 before declining in 2007.[84] In terms of market share, nonsubject imports fell from 26.8 percent of the market to 13.8 percent in 2007.[85] Major nonsubject sources of line pipe included Mexico, Taiwan, Japan, and Brazil.[86]

The cost of goods sold on a per ton basis increased from $780 per short ton in 2005 to $897 per short ton in 2007.[87] Raw material costs were responsible for much of the increase and accounted for approximately 75 percent of the cost of goods sold.[88] Moreover, during the first few months of 2008, prices for hot-rolled steel, the primary input for production of line pipe, increased sharply.[89]

Line pipe, particularly the commodity grades, is primarily sold through distributors.[90] Sales for large projects were made directly to end users, and much of the increase in domestic sales to end users during 2007 resulted from domestic shipments by producers supplying a few large pipeline projects.[91] Spot sales were the predominant basis by which the subject imports and the domestic like product were

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[74] CR at III-1, III-1n.1 PR at III-1, III-1 n.1.

[75] CR at VI-1, PR at VI-1.

[76] Subject imports increased from 115,596 short tons in 2005 to 410,642 short tons in 2006, and to 458,997 short tons in 2007. CR/PR at Table IV-2. U.S. shipments of domestic line pipe also increased, from 522,966 short tons in 2005 to 694,012 short tons in 2006, and to 727,185 short tons in 2007. CR/PR at Table III-5.

[77] CR/PR at Table IV-8.

[78] CR/PR at Table III-2.

[79] CR at I-12, II-3, PR at I-9, II-3; CR/PR at Table III-4.

[80] CR at Table III-4.

[81] See CR/PR at Table III-4.

[82] See CR/PR at Table III-4.

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

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

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

[86] See CR/PR at Table IV-3.

[87] CR/PR at Table VI-1.

[88] CR at V-1, PR at V-1.

[89] CR at V-1, PR at V-1.

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

[91] American Cast Iron Pipe Company ("ACIPCO") reported ***. Petitioners' Postconference Brief at 15-16; CR/PR at Table II-1 n.1. See also CR at III-4, PR at III-1, III-3 (noting three large projects).

sold, and prices were typically negotiated for each transaction.[92] For pipeline projects, the end users may solicit bids directly from a manufacturer for the contract.[93]

4. Substitutability and Other Conditions

The information on the record indicates that line pipe produced to the same specifications is generally interchangeable.[94] The subject imports from China and Korea are typically produced to the same specifications as domestic line pipe, resulting in at least moderate substitutability between the subject imports and domestic line pipe.[95]

All responding domestic producers and importers familiar with the products reported that domestic line pipe and subject imports from Korea are always or frequently interchangeable.[96] All responding producers reported that subject imports from China are always interchangeable with domestic line pipe, whereas a majority of reporting importers familiar with the products indicated that the Chinese product is only sometimes interchangeable.[97]

Line pipe for use in large projects is sold in longer lengths, of up to 80 feet, a size which the importers did not supply.[98] In contrast, subject imports tend to be concentrated in the commodity grades of line pipe, which is line pipe 8 inches and under in diameter and 40 to 42 feet in length.[99]

B. Views of Commissioners Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert Concerning Reasonable Indication of Material Injury[100]

1. Volume of the Subject Imports

Section 771(7)(C) of the 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."

The volume of subject imports surged during the period of investigation from 115,596 short tons in 2005 to 410,642 short tons in 2006 and to 458,997 short tons in 2007.[101] As apparent consumption

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[92] CR at V-6, PR at V-4.

[93] Tr. at 47.

[94] See CR at I-9, PR at I-8; Tr. at 41-42, 64.

[95] Tr. at 41.

[96] CR/PR at Table II-2.

[97] CR/PR at Table II-2. The Korean Respondents argued that Chinese line pipe was often poor quality and deemed unacceptable by purchasers, many of whom maintain "Approved Manufacturer Lists." Korean Respondents' Postconference Brief at 35, Exhibit 12 (declaration of ***).

[98] According to ***. Postconference Brief of Tex-Tube, at Exhibit 1.

[99] Petitioners' Postconference Brief at 15-16.

[100] Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun determine that there is a reasonable indication that a domestic industry is threatened with material injury by reason of subject imports of line pipe from China and Korea. See Views of Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun Concerning Reasonable Indication of Threat of Material Injury.

[101] CR/PR at Table IV-2. The increase in subject imports from China was particularly notable, rising over 900 percent from 2005 to 2007. Subject imports from Korea more than doubled over the same period. Id. As noted, some of the subject imports from China during the period are subject to another ongoing investigation, Circular Welded Carbon Quality Steel Pipe from China, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final). These imports of line pipe from China are dual-stenciled (produced to both ASTM and API specifications) and have one or more of the following physical characteristics typically associated with standard and structural pipe and tube: 32 feet in

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increased sharply, the increasing subject imports captured substantial market share from both the domestic industry and nonsubject imports. The market share of subject imports measured by quantity rose from 13.2 percent in 2005 to 29.3 percent in 2006 and to 33.4 percent in 2007, while the domestic industry's market share declined from 59.9 percent in 2005 to 52.9 percent in 2007.[102] Nonsubject imports lost even more market share, declining from 26.8 percent in 2005 to 13.8 percent in 2007.[103] The ratio of the quantity of subject imports to U.S. production rose from 20.3 percent in 2005 to 54.8 percent in 2006 and to 59.6 percent in 2007.[104]

Based on the foregoing, for purposes of the preliminary phase of these investigations, we find that the volume of subject imports and the increase in that volume are significant, both in absolute terms and relative to consumption and production in the United States.[105]

2. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, 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.[106]

The majority of domestic producers and even a slight majority of importers familiar with the products reported that differences other than price are only sometimes or never a significant factor in sales of line pipe.[107] This suggests that price is an important consideration in purchasing decisions. The record also shows that subject imports from Korea and domestic line pipe are highly substitutable,

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[101] (...continued)
length or less; less than 2.0 inches (50 mm) in outside diameter; galvanized and/or painted surface finish; or a threaded and/or coupled end finish. Imports of such dual-stenciled circular welded pipe from China reportedly increased from 9,920 short tons in 2005 to 67,870 short tons in 2007. CR at IV-5 n.6, PR at IV-3 n.6; CR/PR at Table IV-2. This is an issue we will reexamine any final phase of the investigations.

[102] CR/PR at Table IV-8.

[103] CR/PR at Table IV-8.

[104] CR/PR at Table IV-9.

[105] Petitioners argue that the subject imports' effects were felt primarily by those domestic producers who focus on the commodity grades of line pipe while those domestic producers selling directly to end users were insulated from import competition to some extent. See Petitioners' Postconference Brief at 13-17. While we do not have information concerning the grades of the subject imports, the data indicate that the subject imports increased most dramatically in the over 4.5 inches in diameter segment. See CR at IV-5 n.5, PR at IV-3 n.5. The quantity of line pipe from China exceeding 4.5 inches in diameter increased from 21,181 short tons to 233,296 short tons from 2005 to 2007; the quantity from Korea increased from 63,818 short tons to 139,279 short tons. Id. In any final phase investigations, we will seek more detailed information concerning the market segments in which the subject imports compete.

[106] 19 U.S.C. § 1677(7)(C)(ii).

[107] CR/PR at Table II-3.

subject imports from China and domestic line pipe are moderately substitutable, and most sales of both the domestic like product and subject imports are sold on the spot market to distributors.[108]

The Commission collected quarterly pricing data for 4-inch, 6-inch, 8-inch and 12-inch API 5L Grades B/X-42 line pipe.[109] Nine U.S. producers, seven importers of line pipe from China, and seven importers of line pipe from Korea reported data for the four product categories. The data accounted for 10 percent of U.S. producers' shipments, 10 percent of subject imports from China, and 27 percent of subject imports from Korea in 2007.[110]

The Commission's pricing data indicate that prices of imports from China and Korea were lower than domestic prices in all quarters for all four products. Specifically, subject imports undersold the domestic like product in all 96 quarterly pricing comparisons.[111] For subject imports from China, margins of underselling ranged from 15.7 percent to 43.5 percent, and for subject imports from Korea, margins ranged from 9.2 percent to 37.9 percent.[112] Given the consistency and size of the underselling margins and the substitutability of the domestic and imported products, we find underselling by the subject imports to be significant.

Prices for domestically produced line pipe generally fluctuated during 2005 and 2006, peaking in 2006, and then generally declining at the end of 2007 to levels below those of early 2005, notwithstanding the large growth in apparent consumption.[113] Prices for all four pricing products followed relatively similar trends.[114] Given the large increase in the supply of lower-priced subject imports during the period, we find that the modest price declines experienced by domestic line pipe during 2006 to 2007 provide some evidence of price depression attributable to the subject imports.

We also find that the subject imports have prevented domestic price increases that otherwise would have occurred in the absence of the subject imports. On a per unit basis, the domestic industry's cost of goods sold ("COGS") increased from 2006 to 2007, primarily as a result of an increase in per unit raw material costs.[115] While the industry increased the unit value of its net sales, the increases were not nearly sufficient to compensate the industry for its rising costs.[116] As a result, the domestic industry's COGS as a ratio to net sales increased over the period, resulting in a cost-price squeeze.[117] Given the strong increase in demand during this period, we find that it was competition from the subject imports that prevented the domestic industry from raising its prices to cover its increasing costs. We therefore

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[108] CR/PR at Tables II-1 and II-2; CR at V-6, PR at V-4.

[109] The specification of the products were the following: API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch (Product 1); API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch (Product 2); API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.322 inch (Product 3); API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch (Product 4). CR at V-6.

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

[111] CR/PR at Table V-6.

[112] CR at V-15, PR at V-5.

[113] CR at Tables V-1, V-2, V-3, and V-4; CR/PR at Figure V-3.

[114] See CR/PR at Figure V-3.

[115] The unit value of average COGS was $780 per short ton in 2005, $770 per short ton in 2006, and $897 per short ton in 2007. CR/PR at Table VI-1. The unit value cost of raw materials was $585 per short ton in 2005, $573 per short ton in 2006, and $664 per short ton in 2007. Id.

[116] The unit value of net sales was $977 per short ton in 2005, $1,007 per short ton in 2006, and $1,042 per short ton in 2007. CR/PR at Table VI-1.

[117] The COGS-to-net-sales ratio was 79.8 percent in 2005, 76.5 percent in 2006, and 86.1 percent in 2007. CR/PR at Table VI-1. During any final phase of these investigations, we intend to more closely examine the causes of the domestic industry's increasing costs.

conclude that subject imports prevented price increases, which otherwise would have occurred, to a significant degree.

For the foregoing reasons, we find for purposes of these preliminary determinations that there has been significant underselling by the subject imports and that such imports have suppressed prices to a significant degree.[118]

3. Impact of the Subject Imports on the Domestic Industry[119]

Section 771(7)(C)(iii) of the Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[120] 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."[121]

With demand growing strongly, the domestic industry's production, capacity utilization, shipments, and net sales quantity and value all increased over the period. Domestic production increased by 35.0 percent from 2005 to 2007.[122] Capacity utilization increased from 62.7 percent in 2005 to 79.1 percent in 2006, before declining to 74.8 percent in 2007.[123] The domestic producers' U.S. shipments increased by 39.1 percent from 2005 to 2007,[124] although their inventories as a ratio to shipments also increased.[125] The domestic industry's quantity of net sales was 591,129 short tons in 2005, 748,071 short tons in 2006, and 745,656 short tons in 2007; the total value of the industry's net sales was $577.8 million in 2005, $753.1 million in 2006, and $777.1 million in 2007.[126]

With the increase in production and shipment levels, most of the domestic industry's employment indicators also improved over the period of investigation. The number of production and

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[118] The petitioners reported that because most producer sales are made to distributors, they are unable to identify specific instances of lost sales or lost revenues. They reported that much of the competition is between distributors selling domestic and imported line pipe. Accordingly, the Commission has no lost sales or lost revenue revenues allegations to evaluate. See CR at V–15, PR at V-11.

[119] In its notice of initiation, Commerce estimated that the dumping margin for subject line pipe from China ranges from 57.45 to 58.96 percent and that the dumping margin for subject line pipe from Korea ranges from 41.69 percent to 42.75 percent. 73 Fed. Reg. 23188, 23192 (April 29, 2008).

[120] 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."). SAA at 885.

[121] 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 (Feb. 1999) at 25 n.148.

[122] Production increased from 570,077 short tons in 2005 to 749,202 short tons in 2006 and to 769,607 short tons in 2007. CR/PR at Table III-2.

[123] CR/PR at Table III-2.

[124] U.S. shipments were 522,966 short tons in 2005, 694,012 short tons in 2006, and 727,185 short tons in 2007. CR/PR at Table III-5.

[125] The ratio of inventories to total shipments was 7.6 percent in 2005, 6.7 percent in 2006, and 10.6 percent in 2007. CR/PR at Table III-6.

[126] CR/PR at Table VI-2.

related workers, aggregate hours worked, aggregate wages paid, and hourly wages all increased.[127] There was a decline in productivity, but the industry's capital expenditures increased.[128]

Despite the increase in the output of the domestic industry during a period of strong demand, the industry's profitability suffered. While the industry remained profitable, it experienced a 23.6 percent decline in operating income from 2005 to 2007, and a 49.8 percent decline from 2006 to 2007 alone.[129] [130] The industry lost 7 percentage points of market share as well, despite its unused capacity for production of line pipe.[131] As described above, we attribute this decline in profitability to the presence of low-priced subject imports and their price-suppressing effects. We note the Korean Respondents' argument that disruptive restructuring experienced by several domestic producers is responsible for any lost profitability during the period, but we find significant evidence to the contrary in the record of the preliminary phase of these investigations.[132] While some producers experienced increased costs due to their restructuring, other domestic producers benefitted from sales of line pipe directly to end users for a few large projects, which tended to mask the effects of the subject imports because there is little import competition for this business.[133] The tremendous growth in demand also enabled the industry to remain profitable, despite the surge in subject imports.

We conclude that subject imports had a significant adverse impact on the condition of the domestic industry during the period of investigation. As discussed above, subject imports gained significant market share from the domestic industry, undersold the domestic product, and suppressed domestic prices for line pipe to a significant degree. As the domestic industry's costs increased and significant volumes of lower-priced subject imports entered the U.S. market, the domestic industry was caught in a cost-price squeeze. The increase in subject imports and their adverse effects on U.S. prices

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[127] The number of production and related workers increased from 780 in 2005 to 929 in 2006 and 1,037 in 2007. Aggregate hours worked increased from 1.5 million in 2005 to 1.9 million in 2006 and to 2.1 million in 2007. Aggregate wages paid were $33.9 million in 2005, $43.2 million in 2006, and $48.9 million in 2007. Hourly wages rose from $22.71 in 2005 to $22.86 in 2006 and to $23.46 in 2007. CR/PR at Table III-7.

[128] Productivity (measured in short tons per 1,000 hour) rose from 381.9 in 2005 to 396.7 in 2006, before falling to 368.9 in 2007. CR/PR at Table III-7. The industry's capital expenditures were $7.5 million in 2005, $13.7 million in 2006, and $10.4 million in 2007. CR/PR at Table VI-4.

[129] The industry's operating income increased from $93.4 million in 2005 to $142.2 million in 2006, before falling to $71.4 million in 2007. CR/PR at Table VI-2. Operating income as a ratio to net sales increased from 16.2 percent to 18.9 percent in 2006 and then fell to 9.2 percent in 2007. Id.

[130] Commissioner Pinkert, in any final phase investigations, invites the parties to supply information concerning the historical profitability levels of this industry.

[131] See CR/PR at Table IV-8.

[132] The Korean Respondents attribute the declining profitability of the domestic industry to restructuring by three petitioning companies, U.S. Steel, Maverick Tube, and Tex-Tube. Korean Respondents' Postconference Brief at 17-24. With respect to U.S. Steel we find that the record evidence does not show that its acquisition of Lone Star accounts for its financial performance. See CR at VI-7 to VI-8 n.11, PR at VI-3 n.11.

Furthermore, while we examine the domestic industry as a whole, even with Maverick Tube and Tex-Tube excluded from the financial data of the domestic industry, the industry' operating income as a ratio to net sales fell from *** percent in 2006 to *** percent in 2007. Staff Worksheet Table C-1A. Accordingly, any shutdowns and disruptions associated with the restructuring of these two companies do not fully account for the industry's declining profitability. In any final phase investigations, we will more closely examine the industry's cost structure and accounting treatment of extraordinary expenses.

[133] See CR at III-4, PR at III-1, III-3; Petitioners' Postconference Brief at 15-16. Domestic producers American, Stupp, and CSI focused their efforts on these sales and ***. See CR at III-4, PR at III-3; CR/PR at Table VI-2; CR/PR at Table II-1 n.1.

caused declines in the domestic industry's profitability and market share over the period of investigation.[134]

C. Views of Chairman Daniel R. Pearson, Vice Chairman Shara L. Aranoff, and Commissioner Deanna Tanner Okun Concerning Reasonable Indication of Threat of Material Injury

Based on the record in these investigations, we determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports of circular welded carbon quality steel line pipe from China and Korea.

1. Cumulation for Threat

a. In General

For purposes of evaluating the volume and price effects for a present material injury determination, Section 771(7)(G)(I) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.[135] In assessing whether subject imports compete with each other and with the domestic like product,[136] the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographical markets of subject imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
(4) whether the subject imports are simultaneously present in the market.[137]

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[134] While nonsubject imports of line pipe were a declining presence in the U.S. market during the period examined, we note that there is limited information on the record regarding such imports. In any final phase investigations, we will seek information on the role of non-subject imports of line pipe in the U.S. market. We invite parties to comment in any final phase investigations on whether Bratsk Aluminium Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006), is applicable to the facts of these investigations. We also invite parties to comment on what additional information the Commission should collect to address the issues raised by the Court, how that information should be collected, and which of the various non-subject sources should be the focus of additional information gathering by the Commission in any final phase investigations.

[135] 19 U.S.C. § 1677(7)(G)(I). There are four exceptions to the cumulation provision, none of which applies to these investigations. See id. at 1677(7)(G)(ii).

[136] The Uruguay Round Agreements Act, Statement of Administrative Action ("SAA"), H.R. Doc. No. 103-316, 103rd Cong., 2d Sess. (1994) (at 848) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade), aff'd 859 F.2d 915 (Fed. Cir. 1988)).

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

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.[138] Only a "reasonable overlap" of competition is required, but if these four factors are met, cumulation of subject imports is mandatory.[139]

By contrast, for purposes of determining if a threat of material injury exists, cumulation is discretionary. Under section 771(7)(H) of the Act, the Commission may "to the extent practicable" cumulatively assess the volume and price effects of subject imports from all countries as to which petitions were filed on the same day if the requirements for cumulation for material injury analysis are satisfied.[140] In addition to considering the four cumulation factors described above, the Commission has considered other factors such as the similarity of the volume trends and pricing data of subject imports from the countries under investigation.[141]

Petitioners argue that the Commission should cumulate subject imports for purposes of its threat analysis.[142] Korean respondents contend that imports from Korea should not be cumulated with imports from China for purposes of threat as, among other factors, the record indicates that the volume and pricing trends for imports from Korea are distinct from those for imports from China.[143]

b. Analysis

In these investigations, the threshold criterion is satisfied because Petitioners filed petitions with respect to both China and Korea on the same day, April 3, 2008, and none of the cumulation exceptions applies.[144] Further, as noted above, we conclude that there is a reasonable overlap of competition between subject imports from China and Korea as well as among subject imports and the domestic like product.

Given our finding that there is a reasonable overlap of competition between subject imports, we proceed to examine whether, for purposes of a determination of threat of injury, subject imports exhibited similar volume and price trends during the period examined so as to justify a decision to cumulate such imports. We determine that, viewed broadly, the overall trends in subject import volumes from China and Korea, and the price trends of those imports, are sufficiently similar to warrant the use of our discretion in cumulating subject imports.

First, during the period of investigation, the volume of subject imports from both countries increased markedly.[145] From 2005 to 2007, imports from China increased from 27,673 short tons in 2005 to 280,820 short tons in 2007, while imports from Korea increased from 87,923 short tons in 2005 to 178,177 short tons in 2007. While the percentage increase of imports from China far exceeded that of imports from Korea during the period examined, this is accounted for by the fact that imports from China started the period at relatively low levels. Also, we acknowledge that in 2007, imports from Korea

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[138] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[139] See, e,g., Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required").

[140] 19 U.S.C. § 1677(7)(H).

[141] See Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

[142] Petitioners' Postconference Brief at 33-40.

[143] Korean Respondents' Postconference Brief at 31-39.

[144] See 19 U.S.C. § 1677(7)(G)(ii).

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

declined slightly, in contrast to those from China, which continued to increase. Nevertheless, the overall trend for both subject imports sources was strongly positive over the three-year period.

Second, pricing data indicated strikingly similar margins of underselling between the subject countries.[146] The average margin of underselling during the period for imports from China was 28.9 percent, and was 24.1 percent for imports from Korea.[147] Underselling margins for imports from China ranged from 15.7 to 43.5 percent, while for Korean imports such margins ranged from 9.2 to 37.9 percent. Moreover, we find it significant that imports from neither country oversold the domestic like product in any quarter during the period examined. In fact, even the trends in underselling margins by subject imports from China and Korea were also roughly similar, with underselling margins from both countries peaking in mid-2006.[148]

Finally, we note that the line pipe industries in both China and Korea are large and export oriented. In recent years, both China and Korea have ranked in the top three worldwide in welded tube production, and in 2007 the two countries far outpaced all others in line pipe exports.[149] In addition, there is evidence on the record that line pipe has been identified by the Chinese government as a "key product" that would provide export opportunities for Chinese firms.[150]

Korean respondents argue that Korean products are sold through an established distribution network, in contrast to Chinese producers, who have no such network and must sell on a more "ad hoc" basis.[151] Even so, the record indicates that both sets of subject producers sell exclusively through the distributor channel.[152] Korean respondents also contend that, in the absence of antidumping orders, Korean companies would have far less incentive to shift from exports of standard pipe to exports of line pipe because, unlike Chinese firms, which face potentially significant antidumping duties from the ongoing investigation into imports of standard pipe, Korean producers face only minimal antidumping duties under an existing antidumping duty order.[153] However, the current investigation into exports of standard pipe from China is not final, and thus the premise of the argument is speculative. Further, between 2005 and 2006, a period in which demand was increasing in the United States, Korean producers did in fact shift from other pipe production to line pipe production without increasing overall pipe production, effectively demonstrating an ability and willingness to product-shift.[154] Finally, Korean respondents allege that there are significant quality differences between Chinese and Korean pipe that would make cumulation for threat purposes inappropriate.[155] While the record at this preliminary stage is unclear on this point, we note that a majority of both producers and importers familiar with the products indicated that Chinese and Korean pipe was either "always" or "frequently" interchangeable.[156] Thus, we do not believe that this factor argues against cumulation of subject imports for purposes of assessing threat of injury.

In sum, although there are some factors that may distinguish subject imports from one another, we determine that the similar overall trends in the volumes and prices of subject imports, coupled with

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[146] CR/PR at Table V-6, as revised by Memorandum INV-FF-057.

[147] CR/PR at Table V-6, as revised by Memorandum INV-FF-057.

[148] For example, for product 1, the highest underselling margin for subject imports from China (***) occurred in July-September 2006, the same period in which the highest underselling margin for subject imports from Korea (36.9 percent) occurred. CR/PR at Table V-1.

[149] CR at VII-3 and VII-5, PR at VII-2 and VII-4.

[150] Petitioners' Postconference Brief at 53-56.

[151] Korean Respondents' Postconference Brief at 34.

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

[153] Korean Respondents' Postconference Brief at 36-37.

[154] CR/PR at Table VII-7.

[155] Korean Respondents' Postconference Brief at 34-35.

[156] CR/PR at Table II-2.

the similar export-orientation and behavior of the subject foreign industries, warrant the exercise of our discretion to assess cumulatively the volume and price effects of the subject imports from China and Korea for purposes of the preliminary phase of these investigations.

2. Reasonable Indication of Threat of Material Injury by Reason of Cumulated Subject Imports from China and Korea

a. Legal Standard

Section 771(7)(F) of the 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."[157] 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 material injury by reason of imports would occur unless an order is issued.[158] In making our determinations, we considered all statutory factors that are relevant to these investigations.[159] [160]

b. Trends During Period of Investigation

In determining whether there is a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports, we consider evidence relating to the volume of subject imports, the extent to which subject imports undersold and had effects on prices for the domestic product, and the impact of subject imports on the domestic industry. This record evidence informs our analysis of the individual statutory threat factors and our ultimate determination as to those factors as a whole.

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[157] 19 U.S.C. § 1677(7)(F)(ii).

[158] Id.

[159] 19 U.S.C. § 1677(7)(F)(i) and (iii). These factors include the following: any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country; a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports; whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on the domestic prices and are likely to increase demand for further imports; inventories of the subject merchandise; the potential for product shifting; the actual and potential negative effects on the existing development and production effects of the domestic industry; and whether dumping in the markets of foreign countries suggests a threat of material injury to the domestic industry. Id. Although the statutory factors also require the Commission to consider any information presented by the administering authority as to the nature of any countervailable subsidy, such information is unavailable in this preliminary phase. Finally, an additional statutory factor addressing raw and processed agricultural products is inapplicable in these investigations.

[160] We observe that in its notice of initiation, Commerce estimated that the alleged dumping margins for subject imports ranged from 57.45 percent to 58.96 percent for China, and from 41.69 percent to 42.75 percent for Korea. *Certain Circular Welded Carbon-Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China*: *Initiation of Antidumping Duty Investigations*, 73 Fed. Reg. 23188 (Apr. 29, 2008).

Moreover, in its notice of initiation, Commerce initiated investigations into 31 potentially countervailable subsidy programs in China, including two related to preferential lending, two related to equity infusions and debt-for-equity swaps, ten related to tax benefit programs, two related to value-added tax ("VAT") programs, one related to land grants and discounts, three related to allegedly subsidized provision of goods and services, six related to various grant programs, and five related to various provincial programs. *Circular Welded Carbon-Quality Steel Line Pipe from the People's Republic of China: Notice of Initiation of Countervailing Duty Investigation*, 73 Fed. Reg. 23184 (Apr. 29, 2008).

i. Volume

The volume of subject imports increased very substantially over the period of investigation. From 2005 to 2007, subject imports more than tripled in quantity, from 115,596 short tons to 458,997 short tons.[161] In terms of market share, subject imports increased from 13.2 percent to 33.4 percent over the same period.[162]

Subject import volumes increased while demand in the U.S. market rose, and they continued to increase even after demand stabilized and began to decline. From 2005 to 2006, apparent U.S. consumption of line pipe rose by 60.8 percent, and then fell by 2.0 percent from 2006 to 2007.[163] From 2005 to 2006, subject imports increased from 115,596 short tons to 410,642 short tons, captured over half the increase in apparent U.S. consumption, and also captured 10.4 percentage points of market share from the domestic industry.[164] From 2006 to 2007, in contrast to apparent consumption, subject imports continued to rise, from 410,642 short tons to 458,997 short tons in terms of quantity, and from 29.3 percent to 33.4 percent in terms of market share.[165]

In contrast, the volume of nonsubject imports fell from 234,044 short tons in 2005 to 189,544 short tons in 2007, and nonsubject imports' market share declined from 26.8 percent to 13.8 percent.[166] Because nonsubject import volumes fell over the period, we attribute the domestic industry's overall loss of market share to subject imports.[167] We view the volume and increase in subject imports as significant both in absolute terms and relative to domestic consumption.[168]

ii. Underselling and Price Effects

In evaluating underselling and price effects, we consider the conditions of competition in the U.S. market, discussed above. In particular, we note that subject imports and the domestic product are generally substitutable, that price is an important factor in purchasing decisions, and that demand for line pipe increased by over 60 percent from 2005 to 2006, before stabilizing from 2006 to 2007.

The Commission collected pricing data for four line pipe products produced in the United States and imported from China and Korea.[169] Prices for the four products produced in the United States fluctuated within a relatively limited range for most of 2005 and 2006, before declining somewhat during 2007.[170] Subject merchandise undersold the domestic product in each of the 96 quarterly price comparisons, by margins of 15.7 percent to 43.5 percent for subject imports from China and 9.2 percent

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

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

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

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

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

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

[167] From 2005 to 2006, subject imports gained in market share, while both the domestic product and nonsubject imports lost market share. From 2006 to 2007, subject imports gained additional market share, the domestic industry regained a small portion of its loss during the previous year, and nonsubject imports again lost market share. CR/PR at Table C-1.

[168] For the reasons explained infra, we also find a significant rate of increase of the volume and market penetration of imports of subject merchandise indicating the likelihood of substantially increased imports in the imminent future.

[169] CR at V-6 to V-7, PR at V-4 to V-5.

[170] Prices for Product 4 produced in the United States fluctuated in a wider range, but generally followed the same trend seen in Products 1-3. CR/PR at Tables V-1 to V-4 and Fig. V-3.

to 37.9 percent for subject imports from Korea.[171] Given the degree of substitutability between the subject imports and domestic product, and that price is an important factor in purchasing decisions, we find that subject imports price undersold the domestic product to a significant degree.

In addition, subject imports have prevented price increases for the domestic product that otherwise would have occurred. From 2005 to 2007, the domestic industry experienced rising costs, as unit COGS increased by $117 per short ton (from $780 per short ton to $897 per short ton) and unit SG&A expenses increased by $10 per short ton (from $40 per short ton to $50 per short ton).[172] During the period in which the domestic industry experienced rising costs, demand for the product jumped by over 50 percent and the volume of nonsubject imports declined substantially. These circumstances demonstrate that the domestic industry had both a need and an apparent opportunity to increase prices. Nevertheless, prices for the four pricing products produced in the United States were generally lower at the end of the period of investigation than at the beginning.[173] While the domestic industry experienced an increase in unit sales values of $65 per short ton from 2005 to 2007, the size of the change was much smaller than the change in the industry's COGS and SG&A expenses, which, taken together, increased by $127 per short ton over the period. As a result, the domestic industry experienced a cost/price squeeze in 2007, as the ratio of its COGS to net sales value jumped from 76.5 percent in 2006 to 86.1 percent in 2007.[174] Based on the record evidence, we conclude that subject imports prevented price increases for the domestic product that otherwise would have occurred.[175]

iii. Impact and Vulnerability

By various measures relating to production and sales, the domestic industry experienced positive changes over the period of investigation as it participated in a market characterized by sharply rising demand. From 2005 to 2007, the domestic industry registered increases of 13.2 percent in capacity, 35.0 percent in production, 12.1 percentage points in capacity utilization, 39.1 percent in U.S. shipments, and 34.5 percent in net sales values.[176] Most of these gains were achieved by 2006, with much smaller gains or losses from 2006 to 2007.[177]

While the domestic industry achieved these gains, it experienced important adverse changes by most financial measures. From 2005 to 2007, the domestic industry experienced a 6.9 percent rise in unit labor costs, a 3.4 percent reduction in productivity, a 15.0 percent rise in unit COGS, a 6.3 percentage point rise in its COGS/net sales ratio,[178] a 23.6 percent drop in operating income,[179] and an operating income margin that fell from 16.2 percent to 9.2 percent.[180] Most of these adverse changes occurred from 2006 to 2007, as the domestic industry's performance, as measured by these indicators, improved from 2005 to 2006.[181]

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[171] CR at V-15, PR at V-5.

[172] CR/PR at Table VI-2.

[173] CR/PR at Tables V-1 to V-4 and VI-2.

[174] CR/PR at Table VI-1.

[175] As discussed infra, we also find that 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.

[176] CR/PR at Tables III-3, III-5, and VI-1.

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

[178] CR/PR at Tables III-7, VI-1, and C-1.

[179] CR/PR at Table VI-1.

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

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

We attribute the industry's declining financial fortunes at the end of the period in significant part to the effect of competition from low-priced subject imports. Given the sharp increase in demand and the reduction in nonsubject imports over the period of investigation, the domestic industry should have been poised for substantial financial gains. Instead, the domestic industry experienced a financial reversal as subject imports captured most of the increase in apparent U.S. consumption, displaced the domestic industry in market share, consistently undersold the domestic product, and prevented the domestic industry from increasing prices in order to offset rising production costs.[182]

Considered as a whole, the various indicators of the condition of the domestic industry were mixed, with positive changes in most factors relating to production and sales, and adverse changes in most financial measures. From 2005 to 2006, rapidly rising demand mitigated the impact of subject imports on the domestic industry. From 2006 to 2007, the industry's financial condition deteriorated, yet it remained profitable, regained a portion of the market share it had lost the previous year, and registered increases in production, U.S. shipments, employment, hours worked, and wages paid.

Based on our consideration of the record, we find the domestic industry vulnerable to future injury if underselling by large and increasing volumes of subject imports continues unabated.

c. Analysis of Statutory Threat Factors

While the domestic industry has not yet experienced material injury by reason of subject imports, the conditions that allowed the domestic industry to avoid such injury have changed or are in the process of changing. While a very large increase in demand from 2005 to 2006 mitigated the impact of subject imports, demand was essentially steady from 2006 to 2007, and it is not projected to rise substantially in the imminent future.[183] Additionally, because the domestic industry was so profitable in 2005 and 2006, it was able to sustain a relative decline in 2007 and yet remain profitable by any objective measure. On the other hand, the decline in profitability was large enough that it would be unsustainable if projected into the imminent future. As these favorable demand conditions have ended or near their end, they are no longer able to moderate the impact of subject imports, which are likely to increase substantially in volume and continue to undersell the domestic like product. As explained in more detail below, we find a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports.

There has been a significant rate of increase in the volume and market penetration of subject imports indicating a likelihood of substantially increased imports. As indicated above, subject imports exhibited a rapid rate of increase in both volume and market penetration during the period of investigation. Other record evidence supports the conclusion that subject import volumes will increase substantially. First, the increase occurred not only when demand in the U.S. market was increasing from 2005 to 2006, but also after it stabilized from 2006 to 2007.[184] That subject import volumes increased during both periods indicates that the increases were not a function of increases in demand in the U.S.

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[182] We join our colleagues in expressing interest in issues raised by both the petitioners and the Korean respondents relating to individual companies' reported financial performance in the preliminary phase of these investigations. See petitioners' Postconference Brief at 15-16 and Korean respondents' Postconference Brief at 17-24. In any final phase investigations, we intend to explore further whether certain U.S. producers of line pipe may be less affected by subject imports because they sell directly to project oriented end users, and whether certain U.S. producers' restructuring, strategy, and capital investment decisions might have adversely affected their financial performance in 2007. We also intend to examine whether sales to project-oriented end users are likely to decline in volume.

[183] Tr. at 56; Korean Respondents' Postconference Brief at Exhibit 2; CR/PR at Fig. II-2.

[184] Even after subject import volumes increased from 115,596 short tons in 2005 to 410,642 short tons in 2006, they sustained a further increase to 458,997 short tons in 2007. CR/PR at Table C-1.

market. Consequently, subject import volumes are likely to increase regardless of any changes in demand in the imminent future. Second, the increase was fueled by subject imports both from China and from Korea. From 2005 to 2007, subject imports from China increased from 27,673 short tons to 280,820 short tons and in market share from 3.2 percent to 20.4 percent. Over the same period, subject imports from Korea increased from 87,923 short tons to 178,177 short tons, and in market share from 10.1 percent to 13.0 percent.[185] That subject imports volumes increased independent of demand changes in the U.S. market, and regardless of whether produced in China or Korea, supports our conclusion that increases will occur in the imminent future.

We also find an imminent, substantial increase in production capacity in China and Korea indicating the likelihood of substantially increased exports to the United States, taking into account the availability of other export markets to absorb additional exports from those countries. Even without increases in production capacity and exports, China and Korea ranked in the top three worldwide in welded tube production during the period of investigation, and each exported over 300,000 short tons of line pipe in 2007, while no other country exported more than 100,000 short tons.[186] Nevertheless, welded tube production capacity in China will continue to increase substantially, as an estimated five new welded pipe production facilities are projected to come on line by 2009.[187] Much of the new production will be devoted to export markets,[188] with a substantial share of exports likely directed to the U.S. market, as Chinese producers directed a rapidly increasing percentage of their line pipe exports to the U.S. market from 2005 to 2007.[189] While there are no similar reports of new mills in Korea, Korea is one of the world's leading line pipe exporters, and during the period examined Korean producers added total plant capacity, devoted an greater share of total capacity to the production of subject line pipe, and directed an increasing share of their line pipe production to the U.S. market.[190] [191]

There is also a potential that production facilities in China and Korea currently being used to produce other products would shift to the production of subject line pipe. In this preliminary phase, the Commission received questionnaire responses from three of the four known producers of subject line pipe in Korea, which accounted for all or nearly all subject line pipe exported to the United States from Korea, and the majority of Korean production of subject line pipe.[192] The record also contains questionnaire responses submitted by five producers of subject line pipe in China in a recent investigation.[193] The foreign producers in both countries report that they produce line pipe and other products on the same equipment and machinery.[194]

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[185] CR/PR at Table C-1. While U.S. imports from Korea declined slightly between 2006-07 according to official Commerce statistics, U.S. importers' questionnaire responses indicate an increase in terms of importers' U.S. shipments of U.S. imports of Korean-origin line pipe between 2006-07. Korean Respondents' Postconference Brief at Exhibit 4.

[186] CR at VII-3 and VII-5, PR at VII-2 and VII-4.

[187] Petitioners' Postconference Brief at 40-42; Korean Respondents' Postconference Brief at 37.

[188] Petitioners' Postconference Brief at 40-42; Korean Respondents' Postconference Brief at 37.

[189] CR/PR at Table VII-1.

[190] CR/PR at Tables VII-6 and VII-7.

[191] Inventories of subject merchandise held in the United States declined from 2006 to relatively low levels in 2007. CR/PR at Table C-1.

[192] CR at VII-7, PR at VII-5; CR/PR at Tables VII-4 & VII-5.

[193] CR at VII-3, PR at VII-3. The foreign producers in China reported the production of "small/medium line pipe," which was defined as "welded line pipe 16 inches or less in outside diameter (excluding dual-stenciled pipe used in standard/structural applications)." CR/PR at Table VII-2. While that product is not identical in scope to the line pipe subject to investigation here, it provides a reasonable proxy for subject line pipe production by these producers for purposes of discerning trends during the period of investigation.

[194] CR at VII-4 and VII-10, PR at VII-3 and VII-8.

While total production capacity for the reporting foreign producers in both China and Korea remained essentially unchanged during the period of investigation, the producers in each country substantially increased production of line pipe. From 2005 to 2007, the responding Chinese producers *** their production of subject line pipe, while the responding Korean producers increased production of subject line pipe by over 50 percent.[195] These changes indicate that producers in each country perceived an economic incentive to devote an increasing share of their capacity to the production of subject line pipe, and that they were willing and able to do so.

Moreover, producers in China have new incentives to shift to the production of line pipe over standard pipe and other products. In June of 2007, the government of China discontinued a 13 percent commodity export rebate of its domestic value-added tax on standard pipe, while leaving in place the rebate applicable to exports of line pipe.[196] Additionally, in January of 2008, the government of China excluded line pipe from an export tax instituted on a variety of other steel products, including standard pipe.[197] The preferential treatment afforded line pipe vis-a-vis other steel products provides additional incentives for Chinese producers to shift to the production of line pipe.[198]

We find that subject imports 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. As noted above, subject imports from China and Korea consistently undersold the domestic product during the period of investigation, and by substantial margins. The underselling occurred not only while demand increased from 2005 to 2006, but continued as demand stabilized from 2006 to 2007. Given that underselling was consistent and that it persisted despite changes in demand in the U.S. market, underselling appears likely to continue in the imminent future. As discussed previously, subject imports have suppressed prices for the domestic product, as the domestic industry experienced increased production costs and yet was unable to raise prices, even while demand was increasing and the volume of nonsubject imports was falling.

Further, we note that substantial new line pipe capacity will be brought into production in China, that Chinese producers have new incentives to shift to the production of line pipe, and that both Chinese and Korean producers of the subject merchandise have directed increasing shares of their production to line pipe and a greater portion of their line pipe exports to the United States. These trends indicate that both countries will be motivated to find markets for increased volumes of subject line pipe, and thus will need to price line pipe aggressively in order to gain sales volumes in the U.S. market. For these additional reasons, subject imports are likely to enter at prices that will be likely to have a significant depressing or suppressing effect on domestic prices, and that will likely increase demand for further imports.

We also find that subject imports will have negative effects on the development and production efforts of the domestic industry. From 2005 to 2006, the sharp increase in demand mitigated the impact of subject imports, and allowed the domestic industry to increase its profits even as it lost market share. This trend did not continue in the following year, however, as demand stabilized, subject imports

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[195] CR/PR at Tables VII-2 and VII-7. In order to increase their production of subject line pipe, the foreign producers in Korea shifted away from the production of other products. CR/PR at Table VII-7. The foreign producers in China were able to increase their production of subject line pipe, as well as their production of other products, by increasing capacity utilization. CR/PR at Table VII-2. While the Chinese producers did not curtail the production of other products in order to increase subject line pipe production, they *** the production capacity devoted to the production of subject line pipe.

[196] Circular Welded Carbon-Quality Steel Pipe from China, Inv. No. 701-TA-447 and 731-TA-1116 (Preliminary), USITC Pub. 3983 (July 2007) at 21 n.132; Petition at 43.

[197] Petition at 43 and Exhibit 24.

[198] Because the Chinese government may remove these incentives at any time without warning, we consider them to be only one factor supporting our analysis.

continued to increase, and the domestic industry experienced a declining financial performance. As subject imports continue to increase in the imminent future, the domestic industry will lose not only market share, but sales volumes as well. As the increased competition continues to prevent the industry from raising prices to cover rising production costs, the domestic industry will experience declining operating income margins, and have negative effects on employment, returns on assets, and the ability to maintain and upgrade production facilities.[199]

Considering the statutory threat factors as a whole, we determine that further dumped or subsidized imports of line pipe from subject sources are imminent and that material injury by reason of subject imports would occur unless orders are issued. Accordingly, we determine that the domestic industry producing line pipe is threatened with material injury by reason of subject imports from China and Korea.[200]

CONCLUSION

For the reasons stated above, we find that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports line pipe from China and Korea that allegedly are sold in the United States at less than fair value and imports from China that are allegedly subsidized.

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[199] There are no known dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation. CR at VII-12, PR at VII-9.

[200] Chairman Pearson and Commissioner Okun note that petitioners concede that line pipe is a commodity product. See, e.g., Petitioners' Postconference Brief, Exhibit 1 at 3. The Korean respondents had no opinion on this issue. See, e.g., Korean Respondents Postconference Brief, Exhibit A at 1. Given our determination that subject imports and the domestic like product are fungible, for purposes of the preliminary phase of these investigations we find that line pipe is a commodity product, and, therefore, the first predicate of the test provided for in Bratsk Aluminium Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006) is satisfied.

The second predicate of the Bratsk test requires that nonsubject imports are price competitive and a significant factor in the U.S. market. With respect to whether nonsubject imports are price competitive, we note that data gathered in the preliminary phase of these investigations indicate that nonsubject imports undersold the domestic like product in 44 out of 45 price comparisons. In addition, for some products, nonsubject imports undersold subject imports. See, e.g., CR/PR at tables V-1 through V-4 and appendix D. On balance, it appears that nonsubject imports are price-competitive with the domestic like product and, to a lesser extent, with subject imports.

On the other hand, the record does not support a conclusion that price-competitive nonsubject imports are a significant factor in the U.S. market. Collectively, nonsubject imports' market share by quantity declined markedly over the period examined from 26.8 percent in 2005 to 13.8 percent in 2007. See, e.g., CR/PR at Table IV-8. Nonsubject imports are comprised of imports from numerous sources with no single source having a predominant share. See, e.g., CR/PR at Table IV-3. The largest nonsubject source, Mexico, accounted for approximately 10 percent of all U.S. imports in 2007, and less than 5 percent of apparent U.S. consumption in that year. See, e.g., CR/PR at Tables IV-2, IV-3, and IV-8. Hence, we conclude, for purposes of the preliminary phase of these investigations, that the second predicate of the Bratsk test is not satisfied. Consequently, we need not evaluate whether, if orders were imposed on subject imports, nonsubject imports would negate any benefit of the orders to the domestic industry.

For a complete statement of Chairman Pearson's and Commissioner Okun's interpretation of Bratsk in a preliminary phase investigation, see Separate and Additional Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun Concerning Bratsk Aluminum v. United States in Sodium Hexametaphosphate from China, Inv. No. 731-TA-1110 (Preliminary), USITC Pub. 3912 at 19-25 (Apr. 2007).

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on April 3, 2008, with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, PA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (Pittsburgh, PA). The petition alleges 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 circular welded carbon quality steel line pipe ("line pipe")[1] from China and Korea. Information relating to the background of the investigations is provided below.[2]

Date	Action
April 3, 2008	Petition filed with Commerce and the Commission; institution of Commission investigations (73 FR 20064, April 14, 2008)
April 24, 2008	Commission's conference (a list of witnesses appearing at the conference is presented in appendix B)
April 29, 2008	Commerce's notice of initiation of countervailing investigation (73 FR 23184); Commerce's notice of initiation of antidumping duty investigations (73 FR 23188)
May 16, 2008	Commission's vote
May 19, 2008	Commission determinations transmitted to Commerce
May 27, 2008	Commission views transmitted to Commerce

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--

[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.

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

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, alleged subsidies 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, and the judicial requirements and information obtained for use in the Commission's consideration of *Bratsk* issues.

U.S. LINE PIPE MARKET SUMMARY

Trade for line pipe totaled approximately $1.2 billion (nearly 1.4 million short tons) in the U.S. market in 2007. Currently, at least ten firms produce line pipe in the United States. Nine of the producers – American, California Steel, IPSCO, Maverick, Northwest, Stupp, Tex-Tube, U.S. Steel, and Wheatland – accounted for more than *** percent of estimated U.S. production in 2007. At least ten firms have imported line pipe from China since 2005. The three largest importers – ***, ***, and *** – accounted for almost *** percent of reported U.S. imports from China in 2007. At least seven firms have imported line pipe from Korea since 2005. The three largest importers – ***, ***, and *** – accounted for almost

*** percent of reported U.S. imports from Korea in 2007. The petition estimates there are 65 producers of subject line pipe in China.[3] There are three confirmed producers of subject line pipe in Korea, Hyundai, HYSCO, and SeAH.

Line pipe is generally used for gathering oil and gas from the point of production, as well as distributing oil and gas to the consumer, and in some instances transmission of oil and gas in extensive pipelines.[4] The quantity of apparent U.S. consumption of line pipe increased by 57.7 percent between 2005 and 2007, reflecting the growth in natural gas drilling. The value of apparent U.S. consumption increased by 57.3 percent from 2005 to 2007. U.S. producers' U.S. shipments of line pipe totaled 727,185 short tons in 2007, and accounted for 52.9 percent of apparent U.S. consumption by quantity. U.S. imports from China totaled 280,820 short tons in 2007, and accounted for 20.4 percent of apparent U.S. consumption by quantity; U.S. imports from Korea totaled 178,177 short tons in 2007, and accounted for 13.0 percent of apparent U.S. consumption by quantity. U.S. imports from all other sources combined totaled 189,544 short tons in 2007, and accounted for 13.8 percent of apparent U.S. consumption by quantity. The largest sources of imported line pipe are China and Korea, followed by Mexico.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in the investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of nine firms that accounted for more than *** percent of U.S. production of line pipe during 2007. U.S. imports are based on official import statistics of Commerce. Data regarding the Chinese industry are based on public sources and five foreign producer questionnaires from the Commission's currently active investigation *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)). Data regarding the Korean industry are based on three foreign producer questionnaire responses, while information with respect to other foreign industries is drawn from published sources.

PREVIOUS AND RELATED TITLE VII INVESTIGATIONS

The Commission has conducted several previous import relief investigations on line pipe. Table I-1 presents data on previous and related title VII and safeguard investigations. In addition, several related Commission investigations have included imports of welded line pipe, in whole or in part. Details on these related investigations are provided in table I-2.

[3] The Commission sent foreign producer questionnaires to 50 firms in China and received no completed questionnaires. Under the Commission's currently active investigation *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)), five Chinese producers reported that they also produce line pipe. Those firms are Benxi Northern Steel Pipe Co., Ltd., Liaoning Northern Steel Pipe Co., Ltd., Shanghai Alison Steel Pipe Co., Ltd., Tai Feng Qiao Metal Products Co. Ltd., and Tianjin Lifengyuanda Steel Group Co., Ltd.

[4] In most instances, however, transmission requires line pipe in diameters greater than 16 inches.

Table I-1
Line pipe: Previous Title VII and safeguard investigations

Investigations		Dates		Outcome
Number	Product / Country	Begin	End	
701-TA-165, 168	Welded Carbon Steel Pipes and Tubes from Brazil and Korea	05/07/1982	12/27/1982 02/08/1983	Brazil - terminated after Commission preliminary affirmative determination; Korea - Commission final affirmative determination[1]
731-TA-212	Welded Carbon Steel Pipes and Tubes from Venezuela	12/18/1984	02/01/1985	Commission preliminary negative determination[2]
701-TA-242 & 731-TA-253	Welded Carbon Steel Pipes and Tubes from Venezuela	02/28/1985	12/05/1985	Terminated by Commerce following Commission preliminary affirmative determination[2]
701-TA-252-253 & 731-TA-272-274	Welded Carbon Steel Pipes and Tubes from Taiwan, Turkey, and Yugoslavia	07/16/1985	01/08/1986 02/21/1986	Taiwan and Yugoslavia - terminated by Commerce following Commission preliminary affirmative determinations; Turkey - Commission final affirmative determination[2]
731-TA-375	Certain Line Pipes and Tubes from Canada	02/11/1987	03/30/1987	Commission preliminary negative determination[3]
TA-201-70	Circular Welded Carbon Quality Line Pipe	06/30/1999	12/22/1999	Commission affirmative determination[4]
731-TA-1073-1075	Circular Welded Carbon Quality Line Pipe from China, Korea, Mexico	10/06/2004	12/14/2004 02/17/2005	China - terminated by Commerce following Commission preliminary affirmative determination; Korea and Mexico terminated after petition withdrawn[5]

[1] The Commission found small (16 inches or less) diameter welded carbon steel standard, line, and structural pipes and tubes to constitute a single like product.

[2] The Commission found separate like products consisting of welded standard pipe and welded line pipe.

[3] The Commission found that the product "like" welded line pipe from Canada was welded line pipe. Commissioner Brunsdale concurred with reservations, writing that "...while I do not do so here, it appears appropriate to find that the like product consists of both standard and line pipe."

[4] The Commission found that the domestic product "like or directly competitive" with line pipe (including multiple-stenciled line pipe) was line pipe. Commissioner Crawford concluded that the record would justify defining the like or directly competitive product as both line pipe and standard pipe, although she declined to do so.

[5] The Commission found small (16 inches or less) diameter welded line pipe to constitute a single like product but in the final phase sought data on both welded standard pipe and welded line pipe.

Source: Various Commission publications.

Table I-2
Line pipe: Related Commission investigations

Investigations		Dates		
Number	**Product / Country**	**Begin**	**End**	**Outcome**
TA-201-51	Carbon and Certain Alloy Tool Steel Products	01/24/1984	07/24/1984	Commission negative determination[1]
731-TA-732-733	Circular Welded Nonalloy Steel Pipe from Romania and South Africa	04/26/1995	06/27/1996	Commission final negative determination[2]
731-TA-943-947	Circular Welded Non-Alloy Steel Pipe from China, Indonesia, Malaysia, Romania, and South Africa	05/24/2001	07/16/2001 07/02/2002	Indonesia, Malaysia, Romania, and South Africa - Commission preliminary negative determination; China - Commission final negative determination[3]
TA-421-06	Circular Welded Non-Alloy Steel Pipe from China	08/02/205	10/21/2005	Commission affirmative[4] President–Import relief not in the national interest
701-TA-447 & 731-TA-1116	Circular Welded Carbon Quality Steel Pipe from China	06/07/2007	07/02/08	Affirmative preliminary[5] Ongoing final[6]

[1] The Commission found that the like or directly competitive product was all welded and seamless pipe.

[2] In the final phase of the investigations, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) included all multiple-stenciled pipe. Commissioners Crawford and Watson concluded that the record would justify defining the domestic like product to include all (welded) line pipe, although they declined to do so.

[3] In the final phase of the investigation, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications), "absent argument and information to the contrary."

[4] The Commission found that the domestic product "like or directly competitive" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications

[5] In the preliminary phase of the investigations, the Commission defined the like product as coterminous with Commerce's scope. Dual stenciled pipe, which satisfies both ASTM specifications for standard pipe and API specifications for line pipe applications, was included within the scope to the extent it is used or intended for use in standard pipe applications.

[6] Commerce's revised scope includes multiple-stenciled line pipe when it meets the physical description (in the scope) and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish.

Source: Various Commission publications.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged Subsidies

Commerce initiated on the following types of subsidies: preferential loans, equity infusions and debt-to-equity swaps; tax benefit programs; value-added tax programs; land grants discounts; provision of inputs for less than adequate remuneration; grant programs; and provincial programs.[5]

Alleges Sales at LTFV

The LTFV margins alleged in the petition upon which Commerce based its decision to initiate its investigations, as adjusted by Commerce, are presented in table I-3.

Table I-3
Line pipe: Allegations of LTFV imports

Country	Basis of comparison	Estimated dumping margin (*in percent*)
China	Export price based on adjusted U.S. price quote and home market normal value (India surrogate)	57.45 - 58.96
Korea	Constructed export price based on adjusted U.S. price quote and home market normal value	41.69 - 42.75
Source: 73 FR 23192, April 29, 2008.		

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce has defined the imported merchandise subject to these investigations as:

> circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (''welded line pipe''), not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (''HTSUS''). Specifically, the term ''carbon quality'' includes products in which (1) Iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: (i) 2.00 percent of manganese, (ii) 2.25 percent of silicon, (iii) 1.00 percent of copper, (iv) 0.50 percent of aluminum, (v) 1.25 percent of chromium, (vi) 0.30 percent of cobalt, (vii) 0.40 percent of lead, (viii) 1.25 percent of nickel, (ix) 0.30 percent of tungsten, (x) 0.012 percent of boron, (xi) 0.50 percent of molybdenum, (xii) 0.15 percent of niobium, (xiii) 0.41 percent of titanium, (xiv) 0.15 percent of vanadium, or (xv) 0.15 percent of zirconium. Welded line pipe is

[5] *Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Notice of Initiation of Countervailing Duty Investigation*, 73 FR 23186, April 29, 2008.

normally produced to specifications published by the American Petroleum Institute (''API'') (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiplestenciled pipe with an API line pipe stencil is covered by the scope of these investigations.[6]

Tariff Treatment

Subject welded line pipe is currently classifiable in the Harmonized Tariff Schedule of the United States ("HTS") under statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150 (after February 3, 2007) and 7306.10.1010, 7306.10.1050, 7306.10.5010, and 7306.10.5050 (prior to February 3, 2007).[7] Welded line pipe imported from China and Korea enters the U.S. market at a column 1-general duty rate of "free."

THE DOMESTIC LIKE PRODUCT

Description and Applications

Circular welded carbon quality steel pipe subject to these investigations is made from ''carbon quality steel'' which includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the HTS. Specifically, the term ''carbon quality'' includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: 2.00 percent of manganese, 2.25 percent of silicon, 1.00 percent of copper, 0.50 percent of aluminum, 1.25 percent of chromium, 0.30 percent of cobalt, 0.40 percent of lead, 1.25 percent of nickel, 0.30 percent of tungsten, 0.012 percent of boron, 0.50 percent of molybdenum, 0.15 percent of niobium, 0.41 percent of titanium, 0.15 percent of vanadium, or 0.15 percent of zirconium.[8]

The welded line pipe subject to these investigations is a circular pipe product not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. Line pipe generally is produced in the United States in lengths of 40 feet or greater,[9] and with either a bare finish or a black (lacquered) finish to protect the pipe from rust, which is especially important for ocean transport or for storage in humid climates. End finishes typically include square cut or beveled for welding in the field.

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[6] Commerce further notes that the scope of these investigations covers line pipe which may include certain merchandise potentially subject to the on-going antidumping and countervailing duty investigations of circular welded pipe. Given that the scope issue has not been finally resolved in the circular welded pipe investigations, for purposes of the line pipe initiations, Commerce defined the scope to include the potential overlap. However, Commerce intends to resolve the issue to ensure that there will be no overlap between the scopes in the circular welded pipe and welded line pipe cases. *Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23189, April 29, 2008.

[7] Questionnaire responses in these investigations indicate that the amount of subject line pipe imported under the statistical reporting numbers for alloy line pipe, (7306.19.5110 and 7306.19.5150 (after February 3, 2007), and 7306.10.5010 and 7306.10.5050 (prior to February 3, 2007)), is minimal.

[8] 73 FR 32189, April 29, 2008.

[9] Nominal 40-45 foot lengths are referred to by the industry as "double random lengths" or "DRL."

The subject product includes pipe of a kind used in oil and gas pipelines, whether or not stenciled. Such line pipe normally is produced in conformance with the American Petroleum Institute's specification API 5L, and bears an API line pipe stencil. A "stencil" is information marked by the manufacturer with paint stenciled on the outside surface of the pipe indicating the specification in conformance with which it has been manufactured.[10] The API 5L specification for line pipe indicates that the markings should identify the manufacturer's name, specification ("Spec 5L"), size and weight designation, grade and class (e.g., A-25, A, B, and X-42 through X-80), process of manufacture (seamless pipe, electric resistance welded pipe, or continuous welded pipe), heat treatment, and test pressure.

The API 5L grades define the strength level of the pipe and of the steel that is used to make the pipe. For grade A-25 and X-42 to X-80, the last two digits reflect the tensile strength of the steel.[11] Lower strength grades of line pipe, namely, A-25, grade A, and grade B, have lower strength but have other desirable properties. For example, grade A line pipe is more bendable and more readily weldable than pipes of higher grades.

The API 5L specification also suggests that "products in compliance with multiple compatible standards may be marked with the name of each standard."[12] The API stencil identifies the product as that which can be used in line pipe applications. Produced to API specifications, welded line pipe for use in oil and gas pipelines requires higher hydrostatic test pressures and more restrictive weight tolerances than standard pipe.[13] Pipe that is in conformance with API Specification 5L Grade B is automatically also in conformance with the less restrictive standard pipe specification of the American Society for Testing and Materials, ASTM A-53 Grade B.[14] As a consequence, manufacturers often mark such product with both specifications (so-called "dual stencil") so that it may be applied for either use.[15] Product may also be simultaneously in conformance with both Grade B and Grade X-42 of the API 5L specification; indeed, much of the line pipe used in the United States meets the specifications of both Grades B and X-42. Such product may be marked with API 5L Grade B, API 5L Grade X-42, and ASTM A-53 Grade B (the "triple stencil"). Finally, some standard pipe customers require product marked as being in compliance with the American Society of Manufacturing Engineers (ASME) AS-53, which is identical to ASTM A-53; including this information can result in a "quad stencil."

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[10] The purchaser and manufacturer can agree to put all or part of the markings on the inside surface of the pipe. Pipe that is 1-1/2 inches and smaller has the identification markings die-stamped on a metal tag fixed to the bundle or printed on the straps or binding clips used to tie the bundle.

[11] In thousands of psi (pounds per square inch). Grades A and B require tensile strength of 30,000 and 35,000 psi, respectively.

[12] API, *Specification for Line Pipe: API Specification 5L*, March 2004, p. 52.

[13] Standard pipe is intended for the low-pressure conveyance of liquid or gas in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. It may also be used for light load-bearing and mechanical applications, such as for fence tubing, and for protection of electrical wiring, such as conduit shells, and for structural applications in general construction.

[14] ASTM A-53 covers seamless and welded black and hot-dipped galvanized steel pipe intended for mechanical and pressure applications and that is also acceptable for ordinary uses in steam, water, gas, and air lines.

[15] API, *Specifications for Line Pipe: API Specification 5L*, March 2004, pp. 9, 40-44, and 68-69, and *2000 Annual Book of ASTM Standards*, vol. 01.01 (Philadelphia, PA: 2000), pp. 2-3 and 6-7.

Manufacturing Processes

Welded line pipe is most commonly manufactured by the electric resistance weld (ERW)[16] process; however, the continuous weld (CW)[17] process can be used for pipe up to 4.5 inches (114.3 mm) in diameter. The manufacture of welded line pipe by the ERW process begins with coils of hot-rolled sheet steel,[18] which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe.[19] The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The product is then welded along the joint axis. The welded tube then passes under a tool that removes the outside flash resulting from the pressure during welding. Inside flash is likewise removed by cutting tools. The tube is then subjected to such post-weld heat treatment as is required. Such treatment may involve heat treatment of the welded seam only or treatment of the full cross-section of the pipe. After heat treatment, sizing rolls shape the tube to specific diameter tolerances. The product is cooled and then cut at the end of the tube mill by a flying shear or saw.[20] The same equipment and workers can be used to produce standard pipe as well as other tubular products, most commonly standard pipe and oil country tubular goods ("OCTG").[21]

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[16] ERW is a process where the strip edges are mechanically pressed together and welded. The heat for welding is generated by resistance of the steel to the flow an of electric current. In one process, a low frequency current (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 Products*, October 1980, pp. 20-21.

[17] CW is a process of forming a seam by heating the steel in a furnace and mechanically pressing the formed edges together as it passes through a series of round welding rolls. Successive coils are joined together to provide a continuous flow of steel to the welding mill. This process is also known as continuous butt welding. *See*, API, S*pecification for Line Pipe: API Specification 5L*, March 2004, p. 35. According to the API line pipe specification, only grade A-25 can be manufactured using the CW process. Wheatland is the only known U.S. producer of CW line pipe.

[18] Flat-rolled steel that is more than 0.1875 inch in thickness if more than 48 inches in width, or more than 0.230 inch in thickness if 48 inches or less in width, may be called "plate in coils."

[19] The required diameter and wall thickness of a pipe are a function of the intended volume and pressure of material that is to flow through the pipe.

[20] United States Steel, "Manufacture of Steel Tubular Products," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1,029.

[21] Welded OCTG includes casing (the structural retainer for the walls of oil and gas wells) and tubing (used with casing to convey hydrocarbons to ground level).

DOMESTIC LIKE PRODUCT ISSUES

The petitioners contend that the Commission should find one domestic like product that is co-extensive with the scope of merchandise subject to the investigations as identified by Commerce.[22] Respondents do not dispute this characterization.[23] Staff notes that the scope of the investigations with respect to China overlaps with that of *Circular Welded Carbon Quality Steel Pipe from China*, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final). Commerce already has announced its intention "to resolve the issue to ensure that there will be no overlap between the scopes in the CWP and welded line pipe cases" and is soliciting comments on the issue.[24]

[22] U.S. Steel and Maverick's postconference brief, p. 7.
[23] Conference transcript, p. 113 (Cameron).
[24] 73 FR 23189, April 29, 2008.

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

U.S. MARKET CHARACTERISTICS

Line pipe is used for gathering, transporting, and distributing oil and gas via pipelines. Because of the size range of the tubular products at issue (line pipe with an outside diameter of 16 inches or less), the most common use is in gathering oil or gas from the point of extraction to the transmission line or distributing it to the consumer. Transportation of oil and natural gas typically takes place through large diameter line pipe, although there can be notable exceptions. Regardless of application, line pipe normally is produced in conformance with the American Petroleum Institute's specification API 5L, and bears an API line pipe stencil.

Sales of line pipe by U.S. producers and importers to distributors and end users are shown in table II-1. While the majority of sales by producers went to distributors in all three years, the increase in U.S. producers' shipment quantities resulted from increasing levels of sales directly to end users.[1] For importers from China and Korea, all sales went to distributors during all three years.

Some firms sell line pipe nationally while others sell to specific regions. Five of the nine responding U.S. producers reported that they sell nationally, while four reported that they sell in various regions including the Southwest, the Rocky Mountain area, the West Coast, the Northwest, the Midwest, the Northeast and the Southeast. Among all importers, eight firms reported that they sell nationally while the other 17 importers reported that they sell in one or more of the same areas cited by U.S. producers. Among importers, the Southwest was the most frequently cited region. Among the nine importers of product from China, two reported that they sell nationally and seven reported that they sell in the Southwest and other regions cited above. Among the seven importers of product from Korea, three reported that they sell nationally and four reported that they sell in other regions cited above. One firm that imports from both China and Korea sells on the West Coast.

When asked to estimate the average lead time for sales of line pipe, the responses by producers and importers depended upon whether the product was sold from inventories or produced to order. When sold from inventories, producer lead times ranged from 3 to 7 days, and for importers lead times ranged from 7 to 10 days. For both producers and importers, the vast majority of all line pipe sales are produced to order. For producers lead times for items produced to order ranged from 30 to 90 days for most firms, and for importers they ranged from 60 to 180 days.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic supply responsiveness depends upon such factors as the level of industry capacity utilization, the level of inventories, the existent of alternate markets, and the flexibility of shifting production equipment to other products.

[1] The increases in end user sales during the period are largely attributable to shipments by ***.

Table II-1
Line pipe: Channels of distribution for domestic product and imports sold in the U.S. market, by source, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity *(short tons)*		
U.S. producers' U.S. shipments of line pipe:			
Distributors	372,440	429,088	387,626
End users[1]	150,526	264,924	339,559
U.S. shipments of line pipe from China:			
Distributors	28,638	145,698	168,394
End users	0	0	0
U.S. shipments of line pipe from Korea:			
Distributors	80,835	178,972	200,915
End users	0	0	0
U.S. shipments of line pipe from all other import sources:			
Distributors	***	***	***
End users	***	***	***
	Share of total quantity *(percent)*		
U.S. producers' U.S. shipments of line pipe:			
Distributors	71.2	61.8	53.3
End users[1]	28.8	38.2	46.7
U.S. shipments of line pipe from China:			
Distributors	100.0	100.0	100.0
End users	0.0	0.0	0.0
U.S. shipments of line pipe from Korea:			
Distributors	100.0	100.0	100.0
End users	0.0	0.0	0.0
U.S. shipments of line pipe from all other import sources:			
Distributors	***	***	***
End users	***	***	***

[1] The increase in shipments to end users between 2005 and 2007 (189,033 short tons) is largely attributable to ***.

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

The available data suggest that U.S. line pipe producers have some flexibility in expanding output and U.S. shipments in response to an increase in price. The main factors contributing to this degree of supply responsiveness are moderately low industry capacity utilization rates and moderately high ratios of inventories to shipments. U.S. producers' capacity utilization rates ranged from a low of 62.7 percent in 2005 to a high of 79.1 percent in 2006. The ratio of U.S. producers' end-of-period inventories to their total shipments ranged from a low of 6.7 percent in 2006 to a high of 10.6 percent in 2007. U.S. producers' export shipments, as a percentage of total shipments, decreased from 10.4 percent in 2005 to 6.8 percent in 2006 and to 2.2 percent in 2007.

When asked whether they produce other products using the machinery and equipment used to produce line pipe, all nine of the U.S. producers listed other products. Those most commonly mentioned included standard pipe, large diameter pipe, and oil country tubular goods. This indicates that U.S. producers may have some flexibility in shifting between products in response to changing economic conditions.

Subject Imports

The ability of line pipe producers in China and Korea to increase or decrease shipments to the U.S. market depends upon such factors as capacity utilization rates, planned expansions in capacity, current inventory levels, and current levels of both home market sales and exports to markets other than the United States. In the case of China, detailed information relating to these variables is not available. Available data does indicate that the total capacity for the limited number of identified line pipe/standard pipe producers in China has remained constant during 2005-07 and that production and capacity utilization increased during this period. In addition to producing line pipe, the Chinese industry produces circular welded pipe, large diameter line pipe, OCTG, and other pipe on the equipment and machinery used to produce line pipe.

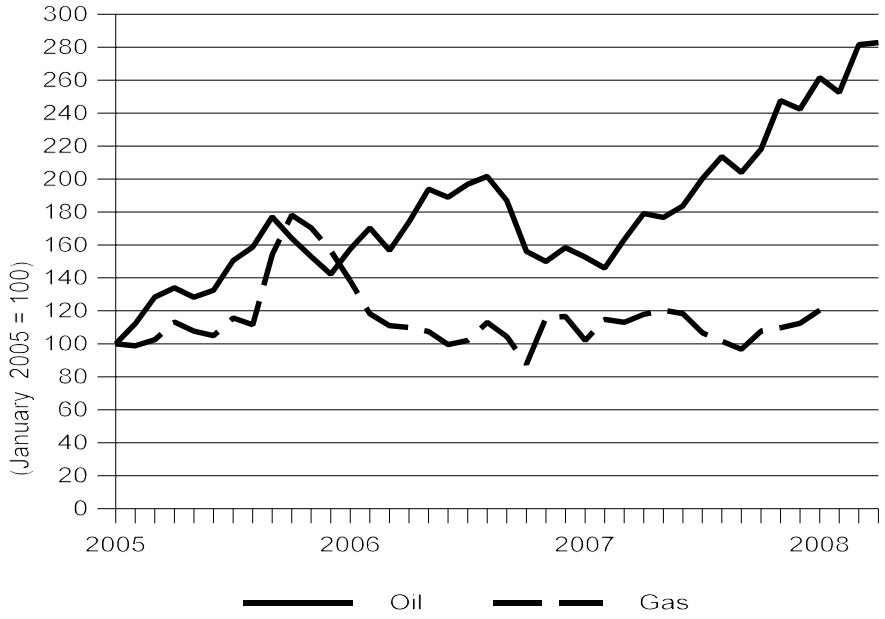
Korea

During 2005-07, Korean producers capacity utilization rates for line pipe increased from a low of 70.9 percent in 2005 to a high of 97.6 percent in 2007. Capacity utilization is projected to be 99.7 percent in both 2008 and 2009. Inventories, as a share of total shipments, ranged from a low of 5.3 percent in 2007 to a high of 7.3 percent in 2006. The majority of Korean shipments have gone to export markets during 2005-07. The combined exports to the United States and other export markets consistently accounted for more than 90 percent of their shipments during these years, while home market shipments ranged from *** percent to *** percent of the annual total during these years. Exports to the United States ranged from a low of 45.9 percent of total shipments in 2005 to a high of 57.5 percent in 2007. These data suggest that Korean suppliers may have the ability to shift sales from other export markets to the United States.

U.S. Demand

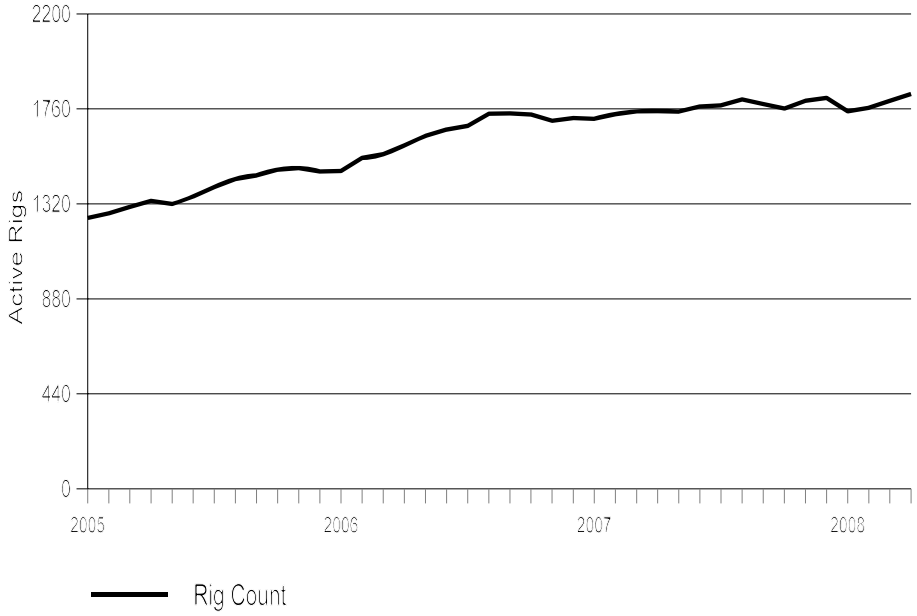
The demand for line pipe is a derived demand that depends upon such factors as the level of prices of oil and natural gas and the extent of drilling activity. Figure II-1 shows that monthly prices of oil increased sharply from January 2005 through April 2008, while prices of natural gas spiked in 2005 and then fluctuated during the rest of the period through January 2008. As shown in figure II-2, drilling activity as measured by the number of rigs increased overall during January 2005 through April 2008. The demand for line pipe as measured by apparent U.S. consumption in quantity terms increased from 872,606 short tons in 2005 to 1,403,335 short tons in 2006, and then decreased to 1,375,726 short tons in 2007.

Figure II-1
Indexed prices for crude oil and natural gas, by month, January 2005-April 2008



Source: Energy Information Administration.

Figure II-2
Number of drilling rigs actively exploring for or developing oil and natural gas in the United States, by month, January 2005- April 2008



Source: Compiled from Baker Hughes data, U.S. monthly averages, 2005-07 and January-April 2008.

When asked how the demand for line pipe had changed since January 1, 2005, all nine U.S. producers and the majority of importers reported that demand had increased. Among the 21 responding importers, 16 reported that demand had increased, one reported that demand had increased with fluctuations, three reported demand had fluctuated, and one reported that demand was unchanged. Firms that reported an increase in demand often attributed the increase to high levels of activity in the oil and gas industries.

Questionnaire respondents were also asked how demand for line pipe outside the United States had changed since January 1, 2005. The four U.S. producers that were able to comment on this question reported that demand had increased. Another producer that was not familiar with demand outside of North America, reported that demand in Canada had increased during this period. Among importers that responded, 13 reported that demand had increased, 3 reported that it had fluctuated, and 1 reported that it was unchanged. Again, firms that reported an increase in demand attributed the increase to increased oil and gas activity.

Substitute Products

When asked to list substitute products for line pipe, many of the questionnaire respondents were not aware of any substitutes. One U.S. producer stated in its questionnaire response that unless a pipe product is certified to API line pipe standards (or other designer specified standards), it cannot be used in a line pipe application.[2] Therefore, standard pipe cannot be used in line pipe applications. Products listed by other producers and importers as potential substitutes for line pipe included seamless pipe, copper pipe, and plastic pipe.

Cost Share

When asked to estimate the share of the total cost of end use products accounted for by line pipe, most questionnaire respondents did not provide such estimates. Two producers provided estimates ranging from 25 to 30 percent, and one importer estimated a share of 20 percent.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported line pipe 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.).

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

In order to determine whether U.S.-produced line pipe can generally be used in the same applications as imports from China, Korea and nonsubject sources, producers and importers were asked whether the products can “always,” “frequently,”“sometimes,” or “never” be used interchangeably. As shown in table II-2, all producers reported that U.S. products are always interchangeable with imports from China and Korea. Responses by importers were more varied, with a majority indicating that the domestic and Korean products are always or frequently interchangeable. However, a majority of importers reported that products from China are sometimes or never interchangeable with the U.S. product. Some importers also commented on the extent of interchangeability between the U.S. product and subject and nonsubject imports and between subject imports from China and Korea. One importer reported that imports from Korea and Mexico are sometimes considered to be of lower quality by some

[2] *** producer questionnaire, p. 24.

Table II-2
Line pipe: Interchangeability of product from the United States and subject and nonsubject sources[1]

Country comparison	U.S. producers					U.S. importers				
	A	F	S	N	0	A	F	S	N	0
U.S. vs. China	9	0	0	0	0	4	1	8	1	11
U.S. vs. Korea	9	0	0	0	0	9	7	0	0	9
U.S. vs. Mexico	9	0	0	0	0	5	5	3	0	12
U.S. vs. Japan	9	0	0	0	0	10	1	1	1	12
U.S. vs. Taiwan	8	0	0	0	1	4	3	6	0	12
U.S. vs. other countries	6	0	0	0	3	1	4	6	0	14
China vs. Korea	6	0	0	0	3	6	3	5	0	11
China vs. Mexico	6	0	0	0	3	3	4	2	1	14
China vs. Japan	6	0	0	0	3	4	3	3	0	14
China vs. Taiwan	6	0	0	0	3	4	4	3	0	14
China vs. other countries	6	0	0	0	3	3	2	2	0	18
Korea vs. Mexico	6	0	0	0	3	3	3	4	0	15
Korea vs. Japan	6	0	0	0	3	4	4	2	0	15
Korea vs. Taiwan	6	0	0	0	3	4	4	3	0	14
Korea vs. other countries	6	0	0	0	3	3	3	1	0	18

[1] Producers and importers, were asked if line pipe produced in the United States and in other countries is used interchangeably.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never, and "0" = No familiarity.

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

customers. Another importer reported that imports from Korea are sometimes not considered fully interchangeable with U.S. products because of long lead times for delivery. Three importers reported that imports from China are not approved for some applications, and one reported that it is not interchangeable with U.S.-produced line pipe.[3] Five importers reported that imports from Korea are superior to imports from China with regard to quality and/or reliability.[4]

In addition to questions concerning interchangeability, producers and importers were also asked to compare U.S.-produced products with imports from China, Korea and nonsubject imports in terms of product differences other than price such as quality, availability, product range, and other characteristics, as a factor in their sales of line pipe. All U.S. producers reported that product differences are never or sometimes significant, while importer responses were widely varied as shown in table II-3. Two firms reported that imports from Korea have longer lead times in delivery than the U.S.-produced products.

[3] Two of these firms also reported that imports from Taiwan are not approved for some uses.

[4] At the preliminary conference, the Korean respondents argued that the quality of the Chinese product is inferior to the Korean product. Conference transcript, pp. 108-109 (Byun).

Table II-3
Line pipe: U.S. producers' and importers' perceived importance of factors other than price in sales of products produced in the United States and in other countries[1]

Country comparison	U.S. producers					U.S. importers				
	A	F	S	N	0	A	F	S	N	0
U.S. vs. China	0	0	3	6	0	3	3	3	4	12
U.S. vs. Korea	0	0	3	6	0	5	2	5	3	10
U.S. vs. Mexico	0	0	3	6	0	1	3	6	3	12
U.S. vs. Japan	0	0	3	6	0	3	2	4	2	14
U.S. vs. Taiwan	0	0	3	5	1	2	4	3	1	15
U.S. vs. other countries	0	0	2	5	2	2	4	3	1	15
China vs. Korea	6	0	0	0	3	2	4	4	4	11
China vs. Mexico	6	0	0	0	3	1	2	3	4	15
China vs. Japan	6	0	0	0	3	2	2	3	3	15
China vs. Taiwan	6	0	0	0	3	2	2	2	4	15
China vs. other countries	6	0	0	0	3	0	3	0	3	19
Korea vs. Mexico	6	0	0	0	3	0	2	6	3	14
Korea vs. Japan	6	0	0	0	3	1	2	4	3	15
Korea vs. Taiwan	6	0	0	0	3	1	2	3	4	15
Korea vs. other countries	6	0	0	0	3	1	3	3	1	17

[1] Producers and importers, were asked if differences other than price between line pipe produced in the United States and in other countries are a significant factor in their firms' sales of line pipe.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never, and "0" = No familiarity.

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

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 alleged margin of dumping and the alleged subsidies 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.

U.S. PRODUCERS

The Commission sent producer questionnaires to all firms identified in the petition as domestic producers of line pipe. Nine firms that are estimated to account for more than *** percent of U.S. production of line pipe during 2007 provided responses to the Commission's producer questionnaire, while one known producer, ***, did not.[1]

Presented in table III-1 is a list of current domestic line pipe producers, each company's position on the petition, production locations, related and/or affiliated firms, and their shares of 2007 reported domestic production of line pipe. Three firms, ***, ***, and ***, account for *** percent of reported 2007 domestic production of line pipe.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Producers' capacity, production, and capacity utilization data for line pipe are presented in table III-2. These data show an increase in the capacity to produce line pipe of 13.2 percent from 2005 to 2007. *** accounted for a majority of the increase in capacity.[2] ***[3] and *** also reported an increase in capacity. ***, ***, and ***[4] reported a decrease in capacity from 2005 to 2007. Production of line pipe increased by 35.0 percent from 2005 to 2007. ***,[5] ***, and *** accounted for the majority of increased production of line pipe. Tex-Tube shut down its production of line pipe from December 2006 until May 2007 in order to upgrade its facility.[6] Capacity utilization increased by 12.1 percentage points from 2005 to 2007. Two firms reported capacity utilization at greater than or equal to 90 percent in 2005 (*** and ***), three in 2006 (***, ***, and ***), and three in 2007 (***, *** and ***).

A few large projects that involve highly specialized line pipe built to unique specifications in larger diameters and lengths beyond the 40-42 feet standard have occurred during 2005 to 2007. It was announced in May 2006 that a 750-mile natural gas liquids pipeline known as the Overland Pass Pipeline would be built from Opal, Wyoming, to Conway, Kansas. Construction of this project was

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[1] Since 2005, the line pipe industry has experienced several mergers and acquisitions. In October 2006, Maverick was acquired by Tenaris S.A. (Luxembourg). In December 2006, IPSCO completed the purchase of the NS Group. In June 2007, Lone Star was acquired by U.S. Steel. In March 2008, IPSCO was sold by its Swedish parent, SSAB Svenskt Stal AB, to Evraz Group S.A. (Russia) for $4 billion. In a back-to-back agreement, Evraz will sell IPSCO's U.S. pipe operations to another Russian producer, TMK, for $1.7 billion.

[2] ***.

[3] IPSCO acquired NS Group in 2006.

[4] Wheatland shut down its Sharon, PA pipe plant in May 2006.

[5] ***.

[6] Conference transcript, p. 35 (Davila). Tex-Tube's production of line pipe decreased *** percent from 2006 to 2007.

Table III-1
Line pipe: U.S. producers, positions on the petition, U.S. production locations, related and/or affiliated firms, and shares of 2007 reported U.S. production of line pipe

Firm name	Position on petition	U.S. production location(s)	Related and/or affiliated firms	Share of production (*percent*)
American	***	Birmingham, AL	None	***
California Steel	***	Fontana, CA	JFE (USA) Rio Doce, Ltd. (USA)	***
IPSCO	***	Camanche, IA Blytheville, AR Wilder, KY	IPSCO (Canada) SSAB (Sweden)	***
Maverick	Support	Hickman, AR Blytheville, AR Counce, TN	Tenaris S.A. (Luxembourg) Siderca SAIC (Argentina) Tamsa S.A. (Mexico) Hylsa (Mexico) SIAT (Argentina) Tubocaribe (Columbia) Prudential (Canada) Confab (Brazil) Ternium (USA)	***
Northwest	***	Atchison, KS	None.	***
Paragon	([1])	Sapulpa, OK	([1])	([1])
Stupp	***	Baton Rouge, LA	Stupp Brothers (USA)	***
Tex-Tube	Support	Houston, TX	Visteel (USA) Vi Capital (USA) Tuberia Nacional (Mexico)	***
U.S. Steel	Support	McKeesport, PA Dallas, TX	U.S. Steel Tubular Products Apolo Tubulars (Brazil)	***
Wheatland	***	Sharon, PA Wheatland, PA Warren, OH Chicago, IL Little Rock, AR	John Maneely Co. DBO Holdings (USA)	***

[1] Not available.

Note.–Because of rounding, shares may not total 100.0 percent.

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

Table III-2
Line pipe: U.S. capacity, production, and capacity utilization, 2005-07

Item	Calendar year		
	2005	2006	2007
Capacity[1] (*short tons*)	909,237	947,056	1,028,983
Production (*short tons*)	570,077	749,202	769,607
Capacity utilization (*percent*)	62.7	79.1	74.8

[1] ***.

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

scheduled to begin in the summer of 2007 and would be completed in early 2008.[7] In 2007, Oneok (a diversified energy company based in Tulsa, OK) purchased large amounts of specialized line pipe to build two pipelines for natural gas liquids such a propane and butane.[8] A third project, the "Arbuckle" pipeline, will run from Oklahoma to the Texas Gulf Coast. Domestic producers like American, Stupp and CSI focus their sales in this market.[9]

In the Commission's questionnaire, U.S. producers were asked if they had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of line pipe since January 1, 2005. Six firms reported such changes; their responses to this question are presented in table III-3.

*** U.S. producers of line pipe that responded to the Commission's questionnaire reported the production of other products on the same equipment and machinery and using the same production and related workers employed in the production of line pipe. Their responses are presented in table III-4. Capacity to produce all welded pipe grew, largely due to ***. In aggregate, the producers reported the following products that were produced using the same production and related workers employed to produce line pipe and those products' shares of total plant production in 2007: subject line pipe (23.8 percent); standard/structural pipe (17.8 percent); large diameter line pipe (*** percent); OCTG (36.6 percent); and other products (*** percent).

U.S. PRODUCERS' SHIPMENTS

Data on domestic producers' shipments of line pipe are presented in table III-5. U.S. shipments accounted for 97.8 percent of U.S. producers' total shipments of line pipe in 2007. There was no reported internal consumption or transfers to related firms. U.S. shipments increased by 39.1 percent from 2005 to 2007. *** accounted for the majority of increased shipments of line pipe. The unit value of U.S. shipments increased by 7.3 percent from 2005 to 2007. Exports of line pipe were reported by ***. These exports decreased by 73.1 percent from 2005 to 2007 and accounted for 2.2 percent of U.S. producers' total shipments during 2007. *** accounted for the majority of decreased exports of line pipe. The export markets listed included ***. *** reported a toll agreement with ***. *** firm reported production of line pipe in a Foreign Trade Zone.

[7] U.S. Steel and Maverick's postconference brief, p. 15.

[8] Tex-Tube's postconference brief, p. 4.

[9] Conference transcript, p. 38 (Avera).

Table III-3
Line pipe: U.S. producers' comments concerning plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns

Firm	Changes in the character of operations
IPSCO	***
Maverick	***
Northwest	***
Tex-Tube	***
U.S. Steel	***
Wheatland	***

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

Table III-4
Line pipe: U.S. producers' total plant capacity and production, by products, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Total plant capacity[1]	4,315,577	4,183,156	4,643,442
Production:			
Subject line pipe[2]	570,076	749,201	738,243
Standard/structural pipe[3]	612,346	578,969	552,207
Large diameter line pipe[4]	***	***	***
OCTG	1,138,211	1,150,337	1,133,849
Other[5]	***	***	***
Total production	2,822,855	3,025,004	3,096,328
Total plant capacity utilization (*percent*)	65.4	72.3	66.7

[1] ***.
[2] ***.
[3] Welded standard/structural pipe 16 inches or less in outside diameter.
[4] Welded line pipe greater than 16 inches in outside diameter.
[5] Other products include: ***.

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

Table III-5
Line pipe: U.S. producers' shipments, by types, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Commercial shipments	522,966	694,012	727,185
Export shipments	60,968	50,293	16,401
Total shipments	583,934	744,305	743,586
	Value (*1,000 dollars*)		
Commercial shipments	507,703	694,165	757,701
Export shipments	61,653	53,030	16,634
Total shipments	569,356	747,195	774,335
	Unit value (*per short ton*)		
Commercial shipments	$971	$1,000	$1,042
Export shipments	1,011	1,054	1,014
Total shipments	975	1,004	1,041
	Share of quantity (*percent*)		
Commercial shipments	89.6	93.2	97.8
Export shipments	10.4	6.8	2.2
Total shipments	100.0	100.0	100.0
	Share of value (*percent*)		
Commercial shipments	89.2	92.9	97.9
Export shipments	10.8	7.1	2.1
Total shipments	100.0	100.0	100.0

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

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

U.S. PRODUCERS' INVENTORIES

Data collected in these investigations on domestic producers' end-of-period inventories of line pipe are presented in table III-6. Domestic producers' inventories increased 78.3 percent over the period for which data were collected. U.S. producers' inventories were equivalent to between 6.7 and 10.6 percent of U.S. producers' total shipments during 2005-07. *** and *** accounted for *** percent of the inventories held at the end of 2007.

Table III-6
Line pipe: U.S. producers' end-of-period inventories, 2005-07

Item	Calendar year		
	2005	2006	2007
Inventories (*short tons*)	44,254	49,637	78,920
Ratio of inventories to production (*percent*)	7.8	6.6	10.3
Ratio of inventories to U.S. shipments (*percent*)	8.5	7.2	10.9
Ratio of inventories to total shipments (*percent*)	7.6	6.7	10.6
Source: Compiled from data submitted in response to Commission questionnaires.			

U.S. PRODUCERS' IMPORTS AND PURCHASES

*** U.S. producer, ***, reported direct imports of line pipe during the period for which data were collected. *** imported *** short tons in 2005, *** short tons in 2006, and *** short tons in 2007, from ***. ***. *** purchased *** short tons in 2005, *** short tons in 2006, and *** short tons in 2007, from nonsubject countries. *** also purchased line pipe from ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for line pipe are presented in table III-7. In the aggregate, U.S. line pipe producers reported an increase in the number of production and related workers employed in the manufacture of line pipe from 2005 to 2007. *** accounted for the majority of the increase in number of employees. Productivity rose in 2006 then fell in 2007, for an overall decrease of 3.4 percent. Falling productivity, combined with a modest increase in wage rate, resulted in higher unit labor costs in 2007.[10]

Table III-7
Line pipe: U.S. producers' employment-related indicators, 2005-07

Item	Calendar year		
	2005	2006	2007
Production and related workers (PRWs)	780	929	1,037
Hours worked by PRWs (*1,000 hours*)	1,493	1,889	2,086
Wages paid to PRWs (*1,000 dollars*)	33,906	43,183	48,945
Hourly wages	$22.71	$22.86	$23.46
Productivity (*short tons produced per 1,000 hours*)	381.9	396.7	368.9
Unit labor costs (*per short ton*)	$59.48	$57.64	$63.60
Source: Compiled from data submitted in response to Commission questionnaires.			

[10] In particular, ***.

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 66 firms believed to be importers of line pipe, as well as to all U.S. producers of line pipe.[1] Usable questionnaire responses were received from 25 companies that are believed to account for *** percent of the quantity of U.S. imports from China, all or virtually all U.S. imports from Korea, and *** percent of U.S. imports from other countries during the period for which data were collected.[2] In 2007, the largest importer of line pipe from China was ***, the largest importer of line pipe from Korea was ***, and the largest importer of line pipe from other sources (***) was ***. Presented in table IV-1 are the responding U.S. importers and 2007 coverage based on responses to Commission questionnaires.

Table IV-1
Line pipe: U.S. importers, locations, related and/or affiliated firms, and shares of reported U.S. imports in 2007

Firm name	Location	Related and/or affiliated firms	Share of 2007 reported U.S. imports from--			
			China (*percent*)	Korea (*percent*)	other sources (*percent*)	all sources (*percent*)
Ameripipe	Dallas, TX	None	***	***	***	***
Commercial Metals	Irving, TX	CMC (Croatia)	***	***	***	***
Conestoga	Houston, TX	None	***	***	***	***
Corpac	Aventura, FL	None	***	***	***	***
Corus America	Schaumburg, IL	Corus Group (UK) Corus International (USA) Corus Tubes (UK)	***	***	***	***
Corus International	Schaumburg, IL	Tata Steel (India) Corus Tubes (UK)	***	***	***	***
Coutinho	Houston, TX	Man Ferrostall (Germany) Villacero (Mexico) HPC (Germany)	***	***	***	***
CPW	Houston, TX	Corinth Pipeworks (Greece)	***	***	***	***
Fortis Alliance	Houston, TX	J.D. Fields (USA) Tex-Isle Supply (USA) D.V. Kimball (USA)	***	***	***	***
Fremak	New York, NY	None	***	***	***	***
Husteel	Anaheim, CA	Husteel (Korea)	***	***	***	***

Table continued on next page.

[1] Eight firms reported that they did not import the subject merchandise during 2005-07.

[2] The Commission received three incomplete questionnaire responses from ***, ***, and ***. Two firms, *** and ***, reported no imports during 2005-07, but reported they had placed orders for line pipe from Korea and other sources for delivery into the United States after December 31, 2007. *** returned an importer questionnaire, however, because the company was identified as a purchaser, its questionnaire was not used.

Table IV-1--*Continued*
Line pipe: U.S. importers, locations, related and/or affiliated firms, and shares of reported U.S. imports in 2007

Firm name	Location	Related and/or affiliated firms	Share of 2007 reported U.S. imports from--			
			China (*percent*)	Korea (*percent*)	other sources (*percent*)	all sources (*percent*)
HYSCO	Houston, TX	HYSCO (Korea)	***	***	***	***
Hyundai	Englewod Cliffs, NJ	Hyundai Corp. (Korea) Hyundai (LA Branch)	***	***	***	***
Hyundai (LA Branch)	Gardena, CA	Hyundai Corp. (Korea) Hyundai	***	***	***	***
Kurt Orban	Burlingame, CA	None	***	***	***	***
Macsteel	Newport Beach, CA	MacSteel (Netherlands)	***	***	***	***
Maurice Pincoffs	Houston, TX	None	***	***	***	***
MC Tubular	Houston, TX	Metal One (USA)	***	***	***	***
Metallia	Fort Lee, NJ	None	***	***	***	***
Nippon	Los Angeles, CA	Nippon (Japan)	***	***	***	***
Okaya	Houston, TX	Okaya (Japan)	***	***	***	***
Oxbow	Pleasant Hill, CA	None	***	***	***	***
Pusan	Santa Fe Springs, CA	SeAH (Korea)	***	***	***	***
Salzgitter	Houston, TX	Salzgitter Mannesmann (Germany) Salzgitter Mannesmann (Canada) Salzgitter Mannesmann Line Pipe (Germany)	***	***	***	***
SNT	Houston, TX	None	***	***	***	***
Stemcor	New York, NY	Stemcor Holdings (UK) Stemcor (China)	***	***	***	***
Ternium	Houston, TX	Ternium (Uruguay) Hylsa (Mexico) Tenaris Siat (Argentina) Tenaris Confab (Brazil) Tenaris Tubo Caribe (Colombia) Prudential (Canada) Maverick (USA)	***	***	***	***
U.S. Steel	Pittsburgh, PA	Apolo Tubulars (Brazil)	***	***	***	***
Total			100.0	100.0	100.0	100.0

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

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

U.S. IMPORTS

U.S. imports are based on official import statistics of Commerce.[3] U.S. imports of line pipe are presented in table IV-2. China is the largest foreign supplier of line pipe to the United States, accounting for 43.3 percent of the quantity of total imports in 2007, and 38.6 percent of the value. Korea is the second largest foreign supplier of line pipe to the United States, accounting for 27.5 percent of the quantity of total imports in 2007, and 28.3 percent of the value.[4]

From 2005 to 2007, the quantity and value of imports of line pipe from China increased by 914.8 percent and 845.0 percent, respectively.[5] At the same time, the unit value of imports of line pipe from China decreased by 6.9 percent.[6] From 2005 to 2007, the quantity and value of imports of line pipe from Korea increased by 102.7 percent and 96.8 percent, respectively. At the same time, the unit value of imports of line pipe from Korea decreased by 2.9 percent. The quantity and value of imports from other countries decreased by 19.0 percent and by 16.5 percent, respectively, from 2005 to 2007. At the same time, the unit value of imports of line pipe from other sources increased by 3.2 percent.

Nonsubject imports of line pipe are presented in table IV-3. Brazil, Japan, Mexico, and Taiwan consistently accounted for a substantial share of imports of line pipe from nonsubject sources during 2005-07.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[7] 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

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[3] Imports of line pipe are from official statistics under the HTS statistical reporting numbers 7306.19.1010 and 7306.19.1050 (prior to 2007, 7306.10.1010 and 7306.10.1050). Questionnaire responses in these investigations indicate that the amount of subject line pipe imported under the statistical reporting numbers for alloy line pipe, 7306.19.5110 and 7306.19.5150 (prior to 2007, 7306.10.5010 and 7306.10.5050), is minimal.

[4] A majority of the remainder comes from Brazil, Japan, Mexico, and Taiwan.

[5] From 2005 to 2007, the quantity of imports from China of line pipe $\leq$ 4.5 inches increased from 6,493 short tons to 47,524 short tons, and the quantity from China of line pipe > 4.5 inches increased from 21,181 short tons to 233,296 short tons. From 2005 to 2007, the quantity of imports from Korea of line pipe $\leq$ 4.5 inches increased from 24,105 short tons to 38,888 short tons, and the quantity from Korea of line pipe > 4.5 inches increased from 63,818 short tons to 139,279 short tons.

[6] A portion of the U.S. imports of line pipe from China are dual-stenciled (produced to both ASTM and API specifications) and have one or more of the following physical characteristics typically associated with standard and structural pipe and tube: 32 feet in length or less; less than 2.0 inches (50 mm) in outside diameter; galvanized and/or painted surface finish; or a threaded and/or coupled end finish. Such imports of dual-stenciled circular welded pipe from China reportedly increased from 9,920 short tons in 2005 to 67,870 short tons in 2007. *See Circular Welded Carbon-Quality Steel Pipe from China, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final),* public version of the prehearing report to the Commission, calculated from tables IV-2 and IV-4. Staff notes that this calculation may include a portion of micro-alloy steel pipe that is not dual-stenciled, but that any such inclusion is believed to be very small. Ibid., p. I-15, n.29.

[7] Section 733(a)(1) of the Act.

Table IV-2
Line pipe: U.S. imports, by sources, 2005-07

Source	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
China	27,673	224,357	280,820
Korea	87,923	186,285	178,177
Subtotal	115,596	410,642	458,997
Nonsubject sources	234,044	298,681	189,544
Total	349,640	709,323	648,541
	Value (*1,000 dollars*)[1]		
China	19,191	137,547	181,357
Korea	67,417	126,705	132,660
Subtotal	86,608	264,252	314,017
Nonsubject sources	185,863	253,886	155,275
Total	272,471	518,138	469,292
	Unit value (*per short ton*)[1]		
China	$693	$613	$646
Korea	767	680	745
Subtotal	749	644	684
Nonsubject sources	794	850	819
Average	779	730	724
	Share of quantity (*percent*)		
China	7.9	31.6	43.3
Korea	25.1	26.3	27.5
Subtotal	33.1	57.9	70.8
Nonsubject sources	66.9	42.1	29.2
Total	100.0	100.0	100.0
	Share of value (*percent*)		
China	7.0	26.5	38.6
Korea	24.7	24.5	28.3
Subtotal	31.8	51.0	66.9
Nonsubject sources	68.2	49.0	33.1
Total	100.0	100.0	100.0

[1] Landed, duty-paid.

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

Source: Compiled from official Commerce statistics.

Table IV-3
Line pipe: U.S. imports from nonsubject countries, by sources, 2005-07

Source	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Brazil	43,788	21,694	18,641
Japan	16,523	36,598	25,244
Mexico	73,148	89,850	66,055
Taiwan	16,059	40,510	31,072
All other	84,526	110,029	48,532
Total	234,044	298,681	189,544
	Value (*1,000 dollars*)[1]		
Brazil	33,515	15,442	13,805
Japan	14,131	29,218	21,663
Mexico	65,789	80,340	57,591
Taiwan	11,102	24,972	20,318
All other	61,325	103,913	41,897
Total	185,863	253,886	155,275
	Unit value (*per short ton*)[1]		
Brazil	$765	$712	$741
Japan	855	798	858
Mexico	899	894	872
Taiwan	691	616	654
All other	726	944	863
Total	794	850	819

[1] Landed, duty-paid.

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

Source: Compiled from official Commerce statistics.

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.[8] Subject imports from China accounted for 39.9 percent and subject imports from Korea accounted for 31.2 percent, of total imports of line pipe by quantity during April 2007 to March 2008, the most recent 12-month period for which data are available that precedes the filing of the petition.

CUMULATION CONSIDERATIONS

In assessing whether subject imports are likely to compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) the degree of fungibility, including specific customer requirements and other quality-related questions; (2) presence of sales or offers to sell in the same geographic markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in Part II of this report. Additional information concerning geographic markets and simultaneous presence in the market is presented below.

Geographic Markets

Information summarizing the shipments of line pipe is presented in Part II of this report. Table IV-4 presents imports from China by Customs districts from 2005 to 2007, while table IV-5 presents imports from Korea by Customs districts for the same period. Houston-Galveston, TX, was the largest district of entry for imports from China, accounting for 52.9 percent of total subject imports during 2005-07. New Orleans, LA, was the second largest port, with 19.6 percent of imports from China. Houston-Galveston, TX, was the largest district of entry for imports from Korea, accounting for 61.8 percent of total subject imports during 2005-07. Los Angeles, CA, was the second largest port with 15.4 percent of subject imports.

Presence in the Market

Line pipe produced in China and Korea was present throughout the period for which data were collected. Table IV-6 presents monthly import entries into the United States by sources.

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

Table IV-4
Line pipe: U.S. imports from China, by Customs district, 2005-07

Customs district	Calendar year			Total
	2005	2006	2007	
	Quantity (*short tons*)			
Baltimore, MD	0	6,222	8,952	15,174
Chicago, IL	0	3	4	7
Columbia-Snake, OR	741	3,007	5,477	9,225
Detroit, MI	0	3	1	4
Houston-Galveston, TX	18,263	112,978	150,743	281,985
Los Angeles, CA	4,537	26,384	37,824	68,745
Miami, FL	0	0	110	110
Mobile, AL	0	0	1,454	1,454
New Orleans, LA	0	59,954	44,572	104,525
New York, NY	408	388	1,134	1,930
Norfolk, VA	0	0	1,291	1,291
Pembina, ND	17	0	0	17
Philadelphia, PA	0	5,470	3,844	9,313
San Francisco, CA	1,618	1,694	5,368	8,680
Savannah, GA	0	3,111	4,375	7,485
Seattle, WA	881	1,422	823	3,125
Tampa, FL	1,208	3,722	14,849	19,780
Total	27,673	224,357	280,820	532,850

Source: Compiled from official Commerce statistics.

Table IV-5
Line pipe: U.S. imports from Korea, by Customs district, 2005-07

Customs district	Calendar year			Total
	2005	2006	2007	
	Quantity (*short tons*)			
Charlotte, NC	40	0	0	40
Columbia-Snake, OR	10,582	11,010	9,199	30,791
Great Falls, MT	0	0	30	30
Houston-Galveston, TX	38,258	120,561	120,595	279,414
Laredo, TX	0	7	0	7
Los Angeles, CA	24,058	26,214	19,296	69,568
Mobile, AL	392	1,232	127	1,751
New Orleans, LA	0	1,555	1,809	3,364
Pembina, ND	5	1	0	6
Philadelphia, PA	2,357	8,392	9,261	20,010
San Francisco, CA	2,184	5,045	4,519	11,748
San Juan, PR	436	80	754	1,270
Savannah, GA	99	44	2,491	2,634
Seattle, WA	762	1,947	1,459	4,168
Tampa, FL	8,748	10,199	8,638	27,585
Total	87,923	186,285	178,177	452,385

Source: Compiled from official Commerce statistics.

Table IV-6
Line pipe: U.S. imports, monthly entries into the United States, by sources, 2005-07, and January-March 2008

Source	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
2005:	(Short tons)												
China	0	1,856	44	409	3,245	393	863	7,394	4,941	2,780	77	5,671	27,673
Korea	9,429	7,194	2,326	14,161	7,682	9,938	4,404	6,462	7,862	4,858	7,528	6,079	87,923
Subtotal	9,429	9,050	2,370	14,570	10,927	10,331	5,267	13,856	12,803	7,639	7,604	11,749	115,596
All other	17,301	19,675	14,455	36,498	24,513	23,856	20,963	14,410	21,114	17,686	14,344	9,229	234,044
Total	26,730	28,725	16,825	51,068	35,440	34,187	26,231	28,266	33,917	25,325	21,948	20,978	349,640
2006:													
China	4,200	6,916	2,144	17,103	15,377	11,640	21,152	19,969	21,529	40,544	37,318	26,467	224,357
Korea	18,143	10,222	19,892	12,281	10,766	1,883	19,392	12,394	11,109	21,568	23,223	25,413	186,285
Subtotal	22,343	17,138	22,036	29,383	26,143	13,523	40,544	32,362	32,637	62,112	60,541	51,880	410,642
All other	22,919	17,865	17,465	12,430	33,062	22,295	29,845	43,433	16,893	32,535	31,056	18,882	298,681
Total	45,262	35,004	39,502	41,813	59,205	35,818	70,389	75,795	49,530	94,647	91,596	70,762	709,323
2007:													
China	24,216	18,069	35,857	13,324	26,631	27,304	23,849	20,037	27,023	17,287	35,775	11,449	280,820
Korea	12,271	10,867	16,070	17,706	12,209	20,872	21,381	8,832	16,570	17,605	9,900	13,894	178,177
Subtotal	36,487	28,936	51,927	31,030	38,840	48,176	45,230	28,869	43,593	34,891	45,674	25,343	458,997
All other	27,634	6,562	25,661	21,582	15,084	14,537	14,656	12,924	11,237	15,210	15,787	8,671	189,544
Total	64,121	35,498	77,588	52,612	53,924	62,713	59,886	41,793	54,830	50,101	61,461	34,014	648,541
2008:													
China	18,781	23,839	6,870	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Korea	30,827	12,534	14,946	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Subtotal	49,609	36,373	21,816	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
All other	19,147	12,129	21,609	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Total	68,756	48,502	43,425	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])

[1] Not available.

Source: Compiled from official statistics of Commerce.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of line pipe presented in table IV-7 are based on U.S. producers' U.S. shipments of line pipe provided in response to Commission questionnaires and U.S. imports from official statistics. Apparent U.S. consumption increased by quantity 57.7 percent from 2005 to 2007. A substantial portion of the increase in demand reflected the need for gathering lines to support the expansion of natural gas drilling in the United States.[9] In addition, three large pipeline projects have been undertaken during 2005 to 2007. It was announced in May 2006, that a 750-mile natural gas liquids pipeline known as the Overland Pass Pipeline would be built from Opal, Wyoming, to Conway, Kansas. Construction of this project was scheduled to begin in the summer of 2007 and would be completed in early 2008.[10] In 2007, Oneok (a diversified energy company based in Tulsa, OK) purchased large amounts of specialized line pipe to build two pipelines for natural gas liquids such a propane and butane.[11] A third project, the "Arbuckle" pipeline, will run from Oklahoma to the Texas Gulf Coast.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-8. The quantity of the U.S. producers' market share decreased 7.1 percentage points from 2005 to 2007. In contrast, the share of subject imports from China increased from 3.2 percent in 2005 to 20.4 percent in 2007, on the basis of quantity, and the share of subject imports from Korea increased from 10.1 percent in 2005 to 13.0 percent in 2007. Nonsubject imports' market share decreased from 26.8 percent in 2005 to 13.8 percent in 2007.

[9] Conference transcript, p. 54 (Tinne).
[10] U.S. Steel and Maverick's postconference brief, p. 15.
[11] Tex-Tube's postconference brief, p. 4.

Table IV-7
Line pipe: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
U.S. producers' U.S. shipments	522,966	694,012	727,185
U.S. imports from--			
China	27,673	224,357	280,820
Korea	87,923	186,285	178,177
Subtotal	115,596	410,642	458,997
Nonsubject	234,044	298,681	189,544
Total imports	349,640	709,323	648,541
Apparent U.S. consumption	872,606	1,403,335	1,375,726
	Value (*1,000 dollars*)		
U.S. producers' U.S. shipments[1]	507,703	694,165	757,701
U.S. imports from--			
China[2]	19,191	137,547	181,357
Korea[2]	67,417	126,705	132,660
Subtotal	86,608	264,252	314,017
Nonsubject[2]	185,863	253,886	155,275
Total imports	272,471	518,138	469,292
Apparent U.S. consumption	780,174	1,212,303	1,226,993

[1] F.o.b. U.S. mill.
[2] Landed, duty-paid.

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

Table IV-8
Line pipe: Apparent U.S. consumption and market shares, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Apparent U.S. consumption	872,606	1,403,335	1,375,726
	Value (*1,000 dollars*)		
Apparent U.S. consumption	780,174	1,212,303	1,226,993
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	59.9	49.5	52.9
U.S. imports from--			
China	3.2	16.0	20.4
Korea	10.1	13.3	13.0
Subtotal	13.2	29.3	33.4
Nonsubject	26.8	21.3	13.8
Total imports	40.1	50.5	47.1
	Share of value (*percent*)		
U.S. producers' U.S. shipments[1]	65.1	57.3	61.8
U.S. imports from--			
China[2]	2.5	11.3	14.8
Korea[2]	8.6	10.5	10.8
Subtotal	11.1	21.8	25.6
Nonsubject[2]	23.8	20.9	12.7
Total imports	34.9	42.7	38.2

[1] F.o.b. U.S. mill.
[2] Landed, duty-paid.

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

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of subject imports to U.S. production of line pipe is presented in table IV-9. Imports from China were equivalent to 4.9 percent of U.S. production during 2005, increased to 29.9 percent during 2006, and further increased to 36.5 percent in 2007. Imports from Korea were equivalent to 15.4 percent of U.S. production during 2005, increased to 24.9 percent during 2006, and decreased to 23.2 percent in 2007.

Table IV-9
Line pipe: Ratio of U.S. imports to U.S. production, by sources, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
U.S. production	570,077	749,202	769,607
	Ratio of U.S. imports to production (*percent*)		
China	4.9	29.9	36.5
Korea	15.4	24.9	23.2
Subtotal	20.3	54.8	59.6
Nonsubject sources	41.1	39.9	24.6
All countries	61.3	94.7	84.3

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

PART V: PRICING AND RELATED INFORMATION

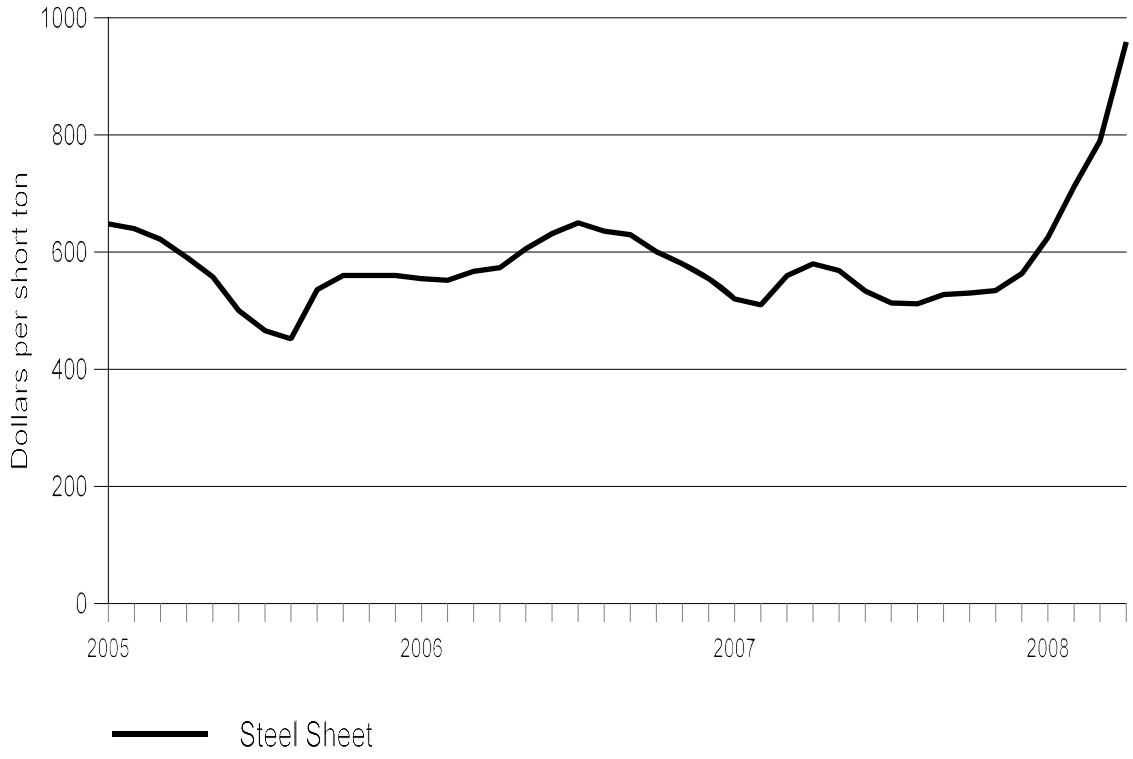
FACTORS AFFECTING PRICES

Raw Material Costs

U.S. producers' costs of raw materials were fairly stable relative to the overall cost of goods sold during 2005-07. Raw material costs accounted for approximately three-quarters of the cost of goods sold in 2005, 2006, and 2007.

Hot-rolled steel is the primary input used in the production of line pipe. As shown in figure V-1, the monthly price of this material fluctuated with no clear trend during 2005-07. However, prices increased sharply from January through April of 2008.

Figure V-1
Hot-rolled sheet prices, by month, January 2005-April 2008



Source: American Metal Market

Transportation Costs to the U.S. Market

Transportation costs of line pipe shipped to the United States from China and Korea averaged 10.3 percent and 14.1 percent of the respective customs values of these imports during 2007, as derived from official import data.[1] Line pipe is classified under HTS subheading 7306.19, statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.

U.S. Inland Transportation Costs

Transportation costs on U.S. inland shipments of line generally account for a moderate share of the delivered price of these products. For the majority of U.S. producers, these costs ranged from 5 to 10 percent of the delivered price. For those importers that provided estimates the costs ranged from 1 to 12 percent of the delivered price.

Producers and importers were asked to estimate the shares of their sales that occurred within 100 miles of their storage or production facility, between 101 and 1,000 miles, and over 1,000 miles. Seven of eight producers reported that the majority of their sales are for distances of less than 1,000 miles. Among those seven firms, the shares of shipments for distances of 1,000 miles or less by producers ranged from 60 to 100 percent. One producer reported that 78 percent of its sales are for distances of over 1,000 miles. Of the 14 importers that provided estimates, 10 reported that between 90 and 100 percent of their sales were for distances of 1,000 miles or less, and 5 reported that the majority of their sales were for distances of more than 1,000 miles.

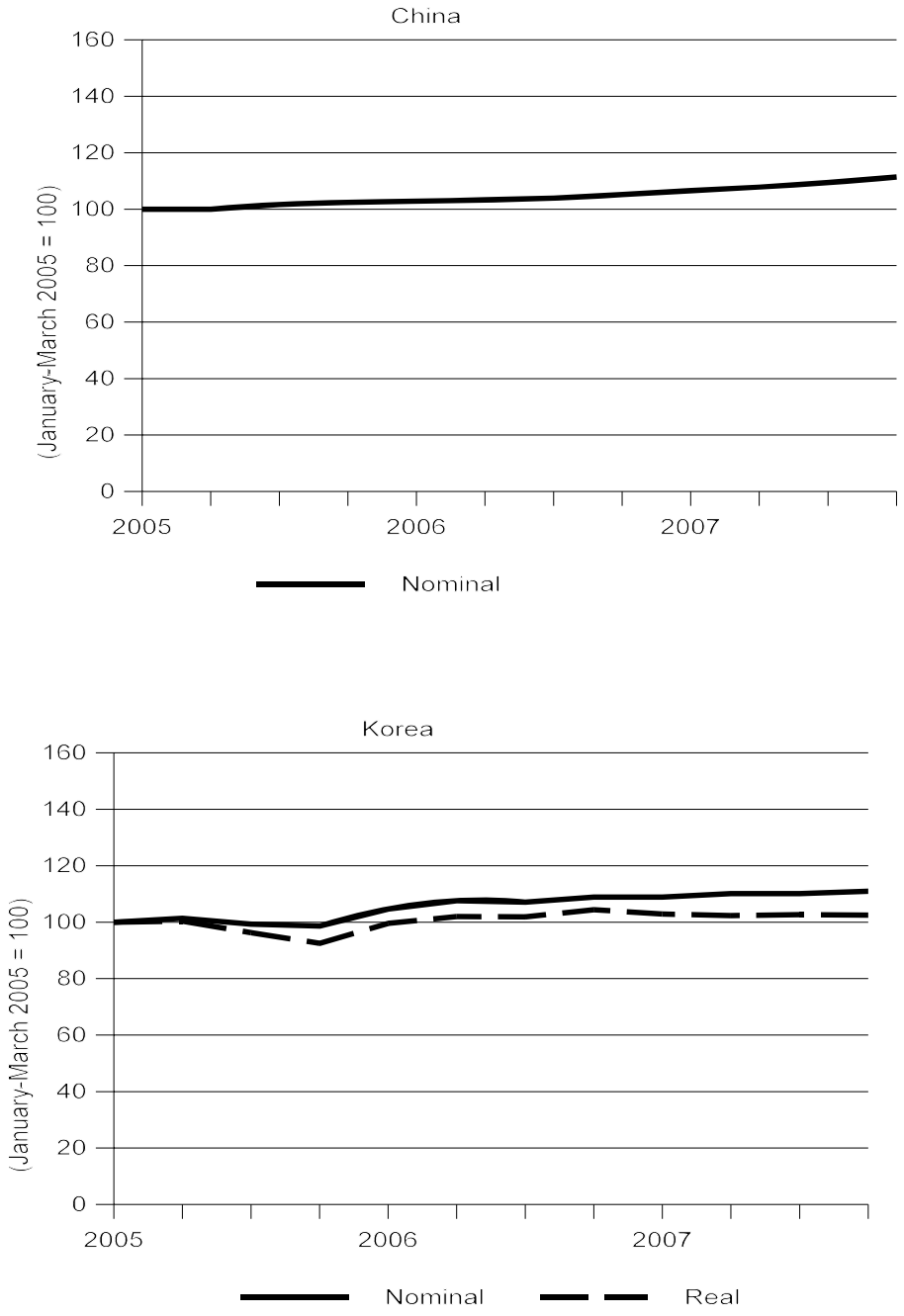
Exchange Rates

Nominal exchange rates for the Chinese yuan and nominal and real exchange rates for the Korean won in relation to the U.S. dollar are shown on a quarterly basis in figure V-2 for the period 2005-07.[2] The data show that the yuan has appreciated relative to the dollar in nominal terms since 2005 and the won has appreciated in both nominal and real terms. Real exchange rates for the yuan could not be computed because of the lack of producer price indices for China.

[1] The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2007 and then dividing by the customs value.

[2] Real exchange rates are calculated by adjusting the nominal rates for movements in producer prices in the United States and other countries.

Figure V-2
Exchange rates: Indexes of the nominal and real exchange rates of the Chinese yuan and the Korean won relative to the U.S. dollar, by quarters, 2005-07



Source: IMF International Financial Statistics, March 2008 and various earlier issues.

PRICING PRACTICES

Producers and importers were asked whether prices are determined by transaction-by-transaction negotiations, by contracts, by set price lists, by a combination of these methods, or by other methods. Among the nine U.S. producers, seven reported that their prices are determined solely by transaction-by-transaction negotiations, and two reported that they are based upon both transaction-by-transaction negotiations and contracts. Among importers of line pipe from the subject countries, 14 reported that their prices are determined solely by transaction-by-transaction negotiations and 1 reported that its prices are based on both transaction-by-transaction negotiations and contracts.

Producers and importers were also asked to describe their discount policies indicating whether they offer quantity discounts, offer annual volume discounts, do not offer discounts, or do not have a discount policy. Among U.S. producers, five reported that they do not have a discount policy, one reported that it has an annual volume discount, one reported that it takes volume into account in its transaction-by-transaction negotiations, one reported that its quarterly pricing is based upon tonnages purchased and another reported that it provides a two percent discount for the early payment of accounts. In the case of importers of product from the subject countries, 13 of the 15 responding firms either reported that they do not offer discounts or do not have a discount policy. One reported that it offers quantity discounts and another reported that it provides a 0.5 percent discount for the early payment of accounts.

The majority of U.S. producers and importers from the subject countries quote prices on an f.o.b. basis, although some firms quote prices on a delivered basis. Among producers, four firms quote on an f.o.b mill basis, three quote f.o.b. from a particular city, and two others quote delivered prices. Among importers of product from the subject countries, 14 reported quoting prices on an f.o.b. basis, and 1 reported quoting on a delivered basis. The importers' f.o.b quotes are from a port of entry, from a warehouse, or in some cases from a particular city. All 9 of the responding U.S. producers and 9 of the 15 responding importers of product from the subject countries reported that they arrange transportation for their customers. None of the producers or importers sell line pipe on the internet.

Line pipe is sold on either a spot or contract basis although spot sales are more common. Among the nine U.S. producers, five firms sell exclusively on a spot basis and two others sell principally on a spot basis but also make use of contracts. Of the other two firms, one sells only on a contract basis, and the other sells principally on a contract basis.[3] Among importers from the subject countries, 10 sell exclusively on a spot basis, and 1 sells exclusively on a short-term contract basis. Producers and importers that make use of contracts reported that they range from 2 months to 1 year. In the majority of cases, both prices and quantities are fixed during the contract period. The majority of the contracts do not contain meet-or-release provisions.

PRICE DATA

The Commission asked U.S. producers and importers of line pipe from China and Korea to provide quarterly data for the total quantity and f.o.b value of line pipe that was shipped to unrelated purchasers in the U.S. market during 2005-07. The products for which pricing data were requested are as follows:

[3] *** sells only on a contract basis, and *** sells principally on a contract basis.

Product 1.–API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.
Product 2.---API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch.
Product 3.---API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.322 inch.
Product 4.---API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.

Nine U.S. producers, seven importers of line pipe from China, and seven importers of line pipe from Korea reported varying amounts of price data for the four product categories. The data received accounted for 10 percent of U.S. producers' shipments, 10 percent of imports from China, and 27 percent of imports from Korea in 2007.

Price Trends

U.S. producer and importer prices are presented in tables V-1 through V-4 and in figure V-3 for the period 2005-07.[4] U.S. producer prices for all products peaked during 2006, then generally declined over 2007.[5] Prices for Chinese line pipe generally decreased from 2005 levels in 2006, but then increased in 2007. For Korea prices were at their highest level in 2005, and then declined during 2006 before partially recovering in 2007. Price trends are summarized in table V-5.

Price Comparisons

As shown in table V-6, prices of imports from China and Korea were consistently lower than domestic prices in all quarters for all four products. For China, margins of underselling ranged from 15.7 percent to 43.5 percent, and for Korea they ranged from 9.2 percent to 37.9 percent.

[4] Additional price data relating to imports from nonsubject countries, primarily Mexico, Taiwan, and Japan, are provided in appendix D (other includes South Africa and Venezuela).

[5] Available data show that average market prices of line pipe, including both domestic and imported product, have increased during January and February of 2008 over levels in December of 2007 (*Preston Pipe and Tube Report*, p. 15 and p. 24).

Table V-1
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 1, and margins of underselling/(overselling), 2005-07

Period	United States		China			Korea			Nonsubject	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:										
January-March	$1,033	1,592	***	***	***	$788	403	23.8	***	***
April-June	1,010	2,479	***	***	***	834	2,556	17.4	***	***
July-September	***	***	***	***	***	850	424	***	***	***
October-December	959	2,481	***	***	***	750	1,521	21.8	***	***
2006:										
January-March	***	***	***	***	***	***	***	***	***	***
April-June	1,030	3,593	***	***	***	705	2,014	31.5	***	***
July-September	1,065	3,329	***	***	***	672	1,279	36.9	***	***
October-December	1,049	3,133	***	***	***	728	3,588	30.6	***	***
2007:										
January-March	979	5,960	***	***	***	774	3,665	20.9	***	***
April-June	968	4,656	***	***	***	763	3,715	21.2	***	***
July-September	963	3,213	***	***	***	757	2,543	21.5	***	***
October-December	980	1,533	***	***	***	756	2,240	22.8	***	***

Product 1.-- API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-2
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 2, and margins of underselling/(overselling), 2005-07

Period	United States		China			Korea			Nonsubject	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:										
January-March	$1,003	3,995	***	***	***	$794	825	20.8	***	***
April-June	988	3,948	***	***	***	848	2,566	14.2	***	***
July-September	982	6,173	***	***	***	821	484	16.3	***	***
October-December	982	3,044	***	***	***	725	1,146	26.2	***	***
2006:										
January-March	919	5,044	***	***	***	705	2,440	23.3	***	***
April-June	974	5,535	***	***	***	730	1,642	25.0	***	***
July-September	1,050	4,650	***	***	***	696	2,189	33.7	***	***
October-December	1,031	3,759	***	***	***	728	3,494	29.4	***	***
2007:										
January-March	982	6,375	***	***	***	793	2,662	19.2	***	***
April-June	1,017	4,459	***	***	***	768	4,593	24.5	***	***
July-September	1,008	8,552	***	***	***	748	2,734	25.8	***	***
October-December	935	4,691	***	***	***	747	2,438	20.2	***	***

Product 2.-- API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-3
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 3, and margins of underselling/(overselling), 2005-07

Period	United States		China			Korea			Nonsubject	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:										
January-March	$1,052	1,228	***	***	***	$797	1,103	24.3	***	***
April-June	997	2,595	***	***	***	824	852	17.4	***	***
July-September	964	3,573	***	***	***	***	***	***	***	***
October-December	947	4,196	***	***	***	728	1,132	23.2	***	***
2006:										
January-March	926	3,883	***	***	***	733	1,622	20.9	***	***
April-June	974	4,657	***	***	***	703	1,392	27.9	***	***
July-September	1,069	4,542	***	***	***	695	1,192	34.9	***	***
October-December	1,050	3,395	***	***	***	716	3,635	31.8	***	***
2007:										
January-March	1,035	3,226	***	***	***	788	3,551	23.8	***	***
April-June	1,035	3,644	***	***	***	785	4,024	24.2	***	***
July-September	985	2,569	***	***	***	736	2,079	25.3	-	-
October-December	972	6,353	***	***	***	744	2,036	23.5	-	-

Product 3.-- API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.322 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-4
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 4, and margins of underselling/(overselling), 2005-07

Period	United States		China			Korea			Nonsubject	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:										
January-March	***	***	***	***	***	$810	515	***	***	***
April-June	1,098	1,613	***	***	***	844	912	23.1	***	***
July-September	***	***	***	***	***	864	964	***	***	***
October-December	940	1,273	***	***	***	***	***	***	***	***
2006:										
January-March	***	***	***	***	***	731	1,225	***	***	***
April-June	988	2,829	***	***	***	696	869	29.5	***	***
July-September	1,074	4,860	***	***	***	697	1,503	35.1	***	***
October-December	1,093	2,390	***	***	***	759	2,784	30.6	***	***
2007:										
January-March	1,022	4,828	738	4,080	27.8	807	2,823	21.1	***	***
April-June	995	3,535	720	2,610	27.6	740	3,043	25.6	***	***
July-September	978	4,982	694	1,571	29.0	771	2,484	21.1	-	-
October-December	***	***	***	***	***	***	***	***	***	***

Product 4.-- API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.

Note.--Margins are calculated from unrounded data.

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

Figure V-3
Line pipe: Weighted-average f.o.b. prices of products 1-4, 2005-07

* * * * * * *

Table V-5
Line pipe: Summary of weighted-average f.o.b. prices for products 1-4, by country, 2005-07

Product/Country	Number of quarters	Lowest price (*per short ton*)	Highest price (*per short ton*)	Change in price:[1] (*percent*)
Product 1				
U.S.	12	$***	$1,065	***
China	12	***	***	***
Korea	12	672	850	-4.0
Nonsubject	12	***	***	***
Product 2				
U.S.	12	919	1,050	-6.7
China	12	***	***	***
Korea	12	696	848	-6.0
Nonsubject	12	***	***	***
Product 3				
U.S.	12	926	1,069	-7.6
China	12	***	***	***
Korea	12	695	***	***
Nonsubject	10	***	***	***
Product 4				
U.S.	12	940	***	***
China	12	***	***	***
Korea	12	696	864	-5.7
Nonsubject	11	***	***	***

[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.

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

Table V-6
Line pipe: Instances of underselling and the range and average of margins for products 1-4, 2005-07

Country	Number of instances	Range (*percent*)	Average margin (*percent*)
China	48	15.7 to 43.5	28.9
Korea	48	9.2 to 37.9	24.1
Total	**96**	**9.2 to 43.5**	**26.5**

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

LOST SALES AND LOST REVENUES

While the petitioners and other domestic firms reported in their producer questionnaires that they have lost sales and revenue to competition from imports from China and Korea, none of the firms provided detailed information and purchaser contacts needed to investigate the allegations directly. The petitioners reported that since most producer sales are made to distributors, they are not well positioned to identify specific instances of lost sales or lost revenues. They reported that much of the competition is between distributors selling domestic and imported line pipe.[6]

[6] Petition, p. 31 and conference transcript, p. 73 (Schragin).

PART VI: FINANCIAL CONDITION OF U.S. PRODUCERS

INTRODUCTION

Nine U.S. producers of line pipe provided usable financial data on their operations on this product.[1] These data are believed to account for the vast majority of U.S. production of line pipe in 2007. No firms reported internal consumption or transfers to related firms; however, ***. The line pipe industry experienced considerable restructuring during the period for which data were collected, including Tenaris' purchase of Maverick in October 2006, IPSCO's purchase of NS Group in December 2006, and U.S. Steel's purchase of Lone Star in June 2007.

OPERATIONS ON LINE PIPE

Aggregate income-and-loss data for U.S. producers on their operations producing line pipe are presented in table VI-1, and selected company-specific financial data are presented in table VI-2. The overall financial performance of the reporting U.S. producers improved from 2005 to 2006, then declined sharply in 2007. While reported aggregate net sales quantities and values increased by 26.1 and 34.5 percent, respectively, from 2005 to 2007, aggregate cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses combined increased by 45.7 percent during this timeframe. As a result of the larger increase in operating costs and expenses as compared to revenues, aggregate operating income declined during the period for which data were collected by 23.6 percent, with all of the decline in operating income occurring from 2006 to 2007.[2] Of the nine firms that reported financial data, six reported decreased operating profits in 2007 as compared to 2005, while five reported decreased operating profits in 2007 as compared to 2006.

For U.S. producers of line pipe, per short ton net sales values increased by $65 from 2005 to 2007, while combined COGS and SG&A expenses increased by $127 per short ton during the same period, which led to a decline in per short ton operating income in 2007 as compared to 2005. Increases in per short ton raw material costs, which rose 13.6 percent from 2005 to 2007 and accounted for 74.1 to 75.0 percent of total per short ton COGS during the reporting period, had the greatest impact on the overall increase in COGS from 2005 to 2007.[3]

[1] The firms (and their fiscal year ends if other than December 31) are: American, CSI, IPSCO, Maverick, Northwest, Stupp, Tex-Tube (September 30), U.S. Steel, and Wheatland (September 29). ***. All firms reported GAAP as their accounting basis.

[2] Aggregate operating income increased by 52.3 percent from 2005 to 2006, then declined by 49.8 percent from 2006 to 2007.

[3] Per short ton COGS actually declined by $10 from 2005 to 2006, but increased by $127 from 2006 to 2007 primarily due to increased raw material costs.

Table VI-1
Line pipe: Results of operations of U.S. producers, fiscal years 2005-07

Item	Fiscal year		
	2005	2006	2007
	Quantity (*short tons*)		
Total net sales	591,129	748,071	745,656
	Value (*$1,000*)		
Total net sales	577,774	753,061	777,099
Cost of goods sold	460,995	576,253	668,704
Gross profit	116,779	176,808	108,395
SG&A expense	23,372	34,561	37,032
Operating income	93,407	142,247	71,363
Other income or (expense), net	(1,196)	(2,236)	(5,164)
Net income	92,211	140,011	66,199
Depreciation	8,568	10,433	13,035
Cash flow	100,779	150,444	79,234
	Ratio to net sales (*percent*)		
Cost of goods sold:			
Raw materials	59.8	56.9	63.7
Direct labor	6.2	6.4	6.6
Other factory costs	13.7	13.2	15.7
Average COGS	79.8	76.5	86.1
Gross profit	20.2	23.5	13.9
SG&A expenses	4.0	4.6	4.8
Operating income	16.2	18.9	9.2
Net income	16.0	18.6	8.5
	Unit value *(per short ton)*		
Total net sales	$977	$1,007	$1,042
Cost of goods sold:			
Raw materials	585	573	664
Direct labor	61	64	69
Other factory costs	134	133	164
Average COGS	780	770	897
Gross profit	198	236	145
SG&A expenses	40	46	50
Operating income	158	190	96
Net income	156	187	89
	Number of companies reporting		
Operating losses	1	2	2
Data	9	9	9

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

Table VI-2
Line pipe: Selected results of operations of U.S. producers, by firm, fiscal years 2005-07

* * * * * * *

Company-specific data reveal that the vast majority of the industry's reported decline in operating income from 2006 to 2007 is due to ***. Respondents argue that short-term operational costs and inefficiencies resulting from consolidations and investments in the line pipe industry are the primary factors behind the decline in profitability for ***, and that such acquisitions and upgrades will ultimately make the industry more competitive and efficient.[4] ***.[5] ***.[6] ***.[7] ***.[8]

In contrast, petitioners argue that the decline in profitability was experienced by non-petitioning firms as well as petitioning firms, and that ***.[9] ***.[10] ***.[11]

A variance analysis for the operations of U.S. producers of line pipe is presented in table VI-3. The information for this variance analysis is derived from table VI-1. The analysis shows that the decline in operating income from 2005 to 2007 was attributable to the unfavorable net cost/expense variance despite favorable price and volume variances (e.g., costs increased more than prices and volume).

[4] Respondents' postconference brief, pp. 9-10.

[5] ***.

[6] Ibid., pp. 21-23.

[7] Ibid., pp. 23-24. ***.

[8] Ibid., pp. 18-21.

[9] U.S. Steel and Maverick's postconference brief, pp. 29-30, and exh. 1, pp. 1-5. Petitioners argue that ***. *See also* CSI's Form 10-K, March 25, 2008, p. 1.

[10] Ibid., pp. 30-31.

[11] Ibid., exh. 1, pp. 6-9. At the request of Commission staff, ***.

Table VI-3
Line pipe: Variance analysis on the operations of U.S. producers, fiscal years 2005-07

Item	Fiscal year		
	2005-07	2005-06	2006-07
	Value (*$1,000*)		
Total net sales:			
Price variance	48,289	21,891	26,469
Volume variance	151,036	153,396	(2,431)
Total net sales variance	199,325	175,287	24,038
Cost of sales:			
Cost variance	(87,200)	7,134	(94,311)
Volume variance	(120,509)	(122,392)	1,860
Total cost variance	(207,709)	(115,258)	(92,451)
Gross profit variance	(8,384)	60,029	(68,413)
SG&A expenses:			
Expense variance	(7,550)	(4,984)	(2,583)
Volume variance	(6,110)	(6,205)	112
Total SG&A variance	(13,660)	(11,189)	(2,471)
Operating income variance	(22,044)	48,840	(70,884)
Summarized as:			
Price variance	48,289	21,891	26,469
Net cost/expense variance	(94,751)	2,150	(96,894)
Net volume variance	24,418	24,799	(459)

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

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

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures and research and development ("R&D") expenses are shown in table VI-4. All nine firms reported capital expenditures, and two firms reported R&D expenses. *** accounted for the majority of reported capital expenditures in each period. *** reported that it made a major investment in upgrading its plant by installing new cut-off, hydrostatic testing, and ultrasonic testing equipment in 2007,[12] while *** reported that its capital expenditures reflect ***.[13] According to ***, its reported capital expenditures include ***.[14] In two of the three periods for which data were requested, total reported capital expenditures were less than total reported depreciation expense, which may indicate that the industry did not replace its productive assets in those periods.

[12] Conference transcript, pp. 34-35 (Davila)

[13] ***.

[14] ***.

Table VI-4
Line pipe: Capital expenditures and research and development expenses of U.S. producers, fiscal years 2005-07

Item	Fiscal year		
	2005	2006	2007
	Value (*1,000 dollars*)		
Capital expenditures	7,500	13,729	10,384
R&D expenses	***	***	***
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. For U.S. producers of line pipe, the total assets utilized in the production, warehousing, and sale of such products increased from $230.8 million in 2005 to $*** in 2007. The increase in current assets from 2005 to 2007 largely reflects the increases in the prices and costs for line pipe, while ***.[15] The ROI increased 3.7 percentage points from 2005 to 2006, then declined *** percentage points from 2006 to 2007. The trend in the ROI was similar to the trend in the operating income margin.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of line pipe to describe any actual or potential negative effects of imports of line pipe from China and Korea on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Their responses are shown in appendix E.

[15] ***.

Table VI-5
Line pipe: U.S. producers' total assets and return on investment, fiscal years 2005-07

Item	Fiscal year		
	2005	2006	2007
Value of assets:	**Value (*$1,000*)**		
Current assets:			
Cash and equivalents	10,785	400	1,390
Accounts receivable, net	56,205	71,018	72,083
Inventories	75,338	130,460	148,980
Other	12,439	6,824	16,500
Total current assets	154,767	208,702	238,953
Property, plant and equipment:			
Original cost	177,020	178,880	189,831
Less: accumulated depreciation	106,848	82,626	63,414
Equals: book value	70,172	96,254	126,417
Other non-current assets[1]	5,827	16,597	***
Total assets	230,766	321,553	***
Operating income or (loss)	93,407	142,247	71,363
	Share *(percent)*		
Return on investment[1]	40.5	44.2	***

[1] ***.

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

PART VII: THREAT CONSIDERATIONS AND *BRATSK* INFORMATION

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

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]--
>
> (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,
>
> (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of 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 under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VIII) the 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

(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).[2]

Information on the nature of the alleged subsidies and sales at less than fair value 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;" and dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission in relation to *Bratsk* rulings.

THE INDUSTRY IN CHINA

Overview

According to the International Iron and Steel Institute ("IISI"), China is currently the world's leading producer of welded tubes, with total production of 22.1 million short tons in 2006, an increase of 54 percent over the level recorded in 2004.[3]

According to Global Trade Atlas, since 2005, China has been among the world's leading exporters of welded line pipe.[4] During 2005-07, Chinese exports of welded line pipe increased from 80,691 to 343,716 short tons. These data are presented in table VII-1. In 2007, China and Korea both exported more than 300,000 short tons of line pipe, with no other country exporting more than 100,000 short tons.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] *See* Table VII-10.

[4] As reported by Global Trade Atlas in HS 7306.19 and 7306.10 (prior to 2007) which includes all line pipe products. At the international level, the HTS system is consistent across countries at the 6-digit level and lower.

Table VII-1
Line pipe: China's exports, by quantity and average unit value, 2005-07

Destination	2005	2006	2007	2005	2006	2007
	Exports *(short tons)*			Unit value *(U.S. $ per short ton)*		
United States[1]	9,140	53,546	149,364	653	576	524
Chile	0	4,887	29,623	-	869	758
Canada	6,840	5,309	28,666	690	872	559
Myanmar	11,029	24,029	25,917	579	624	526
Brazil	4,565	726	12,915	998	796	694
Spain	0	0	12,526	-	-	648
Sudan	12,782	9,282	9,265	739	822	747
Belgium	0	0	7,425	-	-	521
Pakistan	74	130	6,448	794	590	615
Nigeria	0	0	5,136	-	-	736
Gabon	0	231	4,685	-	1,133	672
Australia	830	0	4,444	504	-	640
United Arab Emirates	0	0	4,149	-	-	567
Philippines	809	0	3,503	522	-	549
Kazakhstan	60	151	3,471	1,436	692	667
All other	34,564	35,778	36,178	612	610	594
Total	80,691	134,070	343,716	659	635	582

[1] China's exports of line pipe to the United States are substantially lower than U.S. imports of line pipe from China from official Commerce statistics.

Note.– The data presented in this table are for HS 7306.19 and HS 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe of outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

The petition in these investigations identified 65 producers and/or exporters of line pipe in China.[5] The Commission sent foreign producer questionnaires to 50 firms, received no completed questionnaires, and received no responses indicating that the firms do not produce the subject product.[6] Under the Commission's currently active investigation *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)), five Chinese producers confirmed that they also produce line pipe. Those firms are Benxi Northern Steel Pipe Co., Ltd., Liaoning Northern Steel Pipe Co., Ltd., Shanghai Alison Steel Pipe Co., Ltd., Tai Feng Qiao Metal Products Co. Ltd., and Tianjin Lifengyuanda Steel Group Co., Ltd.

Line Pipe Operations and Alternative Products

Information on the Chinese producers' total operations is presented in table VII-2. In addition to line pipe, Chinese producers produce circular welded pipe, large diameter line pipe, OCTG, and other pipe on the same equipment and machinery used to produce line pipe. Total capacity remained unchanged during the period, while total production and capacity utilization increased from 2005 to 2007. The largest product category was of circular welded pipe.

[5] Petition, exh. 6a.
[6] U.S. importers identified the following Chinese producers as sources for their imports: ***.

Table VII-2
Line pipe: Chinese producers' total plant capacity and production, by products, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Total plant capacity	1,208,000	1,208,000	1,208,000
Production:			
Small/medium line pipe[1]	***	76,976	131,076
Circular welded pipe	745,191	926,575	865,844
Large diameter line pipe[2]	***	***	***
OCTG	***	***	***
Other	***	***	***
Total, all products	862,617	1,118,234	1,139,810
Total plant capacity utilization (*percent*)	71.4	92.6	94.4

[1] Welded line pipe 16 inches or less in outside diameter (excluding dual-stenciled pipe used in standard/structural applications).
[2] Welded line pipe greater than 16 inches in outside diameter.

Source: Compiled from data submitted in response to Commission questionnaires for *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)).

THE INDUSTRY IN KOREA

Overview

According to the IISI, overall Korean production of welded tubes decreased from nearly 4.8 million short tons in 2004 to over 4.5 million short tons in 2006, when Korea was the third largest producer of welded tube in the world, behind China and Japan (table VII-10).[7] Global Trade Atlas data show that Korea was the world's leading exporter of welded line pipe during the last three years. Although the United States is the leading market for Korean exports of welded line pipe, accounting for almost 63 percent of the total, Global Trade Atlas indicates that during the last three years, Korea has also increased exports other markets, particularly in the Middle East (table VII-3).

According to testimony provided by one U.S. importer of line pipe from Korea, Korea's line pipe is well known for its quality, which is regarded as higher than that of Chinese products. Korea's market strategy in the United States is to establish a niche market based on Korean high quality brand names and to sell them through a well-controlled system of distributors. The witness described the United States as a mature, well-established market for Korean products.[8]

[7] International Iron and Steel Institute, *Steel Statistical Yearbook 2007*, Table 29.
[8] Conference transcript, p. 7 (Byun).

Table VII-3
Line pipe: Korea's exports, by quantity and average unit value, 2005-07

Destination	2005	2006	2007	2005	2006	2007
	Exports (*short tons*)			Unit value (*U.S. $ per short ton*)		
United States	118,850	195,136	240,466	683	636	689
United Arab Emirates	10,190	20,933	23,208	679	596	717
Singapore	19,518	20,733	21,443	639	580	650
Australia	15,167	8,292	17,156	723	619	717
Thailand	12,868	11,426	14,642	736	634	729
Saudi Arabia	824	851	11,126	565	639	945
Canada	4,942	8,535	8,564	696	588	675
Indonesia	8,426	2,742	6,846	695	550	680
Iran	19,216	14,415	5,962	747	561	956
South Africa	2,686	2,436	5,437	703	631	756
Turkey	0	429	5,264	-	1,203	810
Oman	2,164	7,116	4,172	767	743	1,063
Mexico	0	1,136	3,649	-	530	594
United Kingdom	0	0	2,452	([1])	-	736
Vietnam	13	174	2,100	([1])	894	842
All other	13,061	15,405	12,023	660	724	976
Total	227,927	309,758	384,511	691	631	718

[1] 2005 unit values for the United Kingdom and Vietnam are $4,488 and $21,233, respectively.

Note.– The data presented in this table are for HS 7306.19 which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe of outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

The petition in these investigations identified four producers and/or exporters of line pipe in Korea.[9] The Commission sent foreign producer questionnaires to four firms, received three completed questionnaires, and received one response indicating that the firm does not produce the subject product.[10] The responding firms are Hyundai Steel Co., Ltd. ("HYSCO"), SeAH Steel Corp. ("SeAH"), and HuSteel. Table VII-4 presents data on the shares of 2007 reported capacity and production in Korea of each of the Korean respondents, and their estimated shares of total 2007 production in Korea. The largest producer is *** followed by ***.

Table VII-5 presents data on the shares of 2007 reported exports to the United States for each respondent and their estimated shares of total exports to the United States from Korea in 2007. Reported exports in 2007 exceeded U.S. imports of line pipe from Korea in 2007 according to official statistics. *** is the largest exporter of line pipe to the United States, followed by ***.

The estimated share of each respondent firm's total sales represented by sales of line pipe varied widely by firm. *** devoted a minor amount of their sales (***), to the subject product in 2007, whereas *** devoted *** percent.

[9] Petition, exh. 6b.
[10] The Commission received a response from *** reporting it does not produce line pipe.

Table VII-4
Line pipe: Korean producers' reported capacity, production, shares of reported capacity and production, and estimated shares of total production in Korea, 2007

* * * * * * *

Table VII-5
Line pipe: Korean producers' reported exports to the United States, share of total reported exports to the United States, and share of estimated total exports to the United States from Korea, 2007

* * * * * * *

Line Pipe Operations

Information on the Korean industry's line pipe operations is presented in VII-6. Capacity, production, and capacity utilization increased overall from 2005 to 2007. Projections for 2008-09 reflect stable capacity and increases in production and capacity utilization.[11] ***.

Internal consumption and home market sales combined were consistently less than *** percent of shipments during 2005 to 2007, and are projected to remain less than *** percent in 2008 and 2009. As a share of total shipments, exports to the United States increased steadily from 2005 to 2007, but are projected to decrease slightly in 2008 and 2009. Exports to all other markets decreased steadily as a share of total shipments during 2005 to 2007, but are projected to increase slightly in 2008 and 2009. Other major export markets are ***. Inventories held by Korean producers increased overall from December 2005 to December 2007, but are projected to decrease in 2008 and 2009. No firm reported maintaining inventories of line pipe in the United States. No firm reported plans to add, expand, curtail, or shut down production capacity and/or production of line pipe in Korea.[12]

[11] ***.
[12] ***.

Table VII-6
Line pipe: Korean producers' reported production capacity, production, shipments, and inventories, 2005-07, and projected 2008-09

Item	Actual experience			Projections	
	2005	2006	2007	2008	2009
			Quantity (*short tons*)		
Capacity	303,359	356,441	343,476	343,476	343,476
Production	215,125	315,808	335,063	342,476	342,476
End of period inventories	13,347	22,516	17,959	14,875	11,670
Shipments: Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to-- The United States	96,322	151,423	195,155	186,650	181,138
All other markets	102,714	125,201	119,941	131,092	136,604
Total exports	199,036	276,624	315,096	317,742	317,742
Total shipments	209,657	306,639	339,620	345,560	347,765
			Ratios and shares (*percent*)		
Capacity utilization	70.9	88.6	97.6	99.7	99.7
Inventories to production	6.2	7.1	5.4	4.3	3.4
Inventories to total shipments	6.4	7.3	5.3	4.3	3.4
Share of total quantity of shipments: Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to-- The United States	45.9	49.4	57.5	54.0	52.1
All other markets	49.0	40.8	35.3	37.9	39.3
All export markets	94.9	90.2	92.8	91.9	91.4

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

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

Alternative Products

In addition to line pipe, Korean producers produce standard/structural pipe, large diameter line pipe, OCTG, and other pipe on the same equipment and machinery used to produce line pipe. As presented in table VII-7, the largest nonsubject product category was other pipe.[13]

Table VII-7
Line pipe: Korean producers' total plant capacity and production, by products, 2005-07

Item	Calendar year		
	2005	2006	2007
	Quantity (*short tons*)		
Total plant capacity[1]	2,411,537	2,429,725	2,451,656
Production:			
Subject line pipe	215,125	315,808	335,063
Standard/structural pipe	***	***	***
Large diameter line pipe[2]	***	***	***
OCTG	207,744	211,374	217,816
Other[3]	942,074	807,485	874,800
Total production	2,115,266	2,110,816	2,212,285
Total plant capacity utilization (*percent*)	87.7	86.9	90.2

[1] ***.
[2] Welded line pipe greater than 16 inches in outside diameter.
[3] Other products consist primarily of boiler tube, conduit, large diameter standard/structural pipe, electric pole, and mechanical pipe.

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

[13] Korean producers reported other pipe includes ***.

U.S. IMPORTS SUBSEQUENT TO DECEMBER 31, 2007

Seven U.S. importers reported that they had placed orders for line pipe from China for delivery into the United States after December 31, 2007,[14] eight U.S. importers reported orders from Korea,[15] and seven U.S. importers reported orders from other countries.[16] This information is presented in table VII-8.

Table VII-8
Line pipe: U.S. importers' orders after December 31, 2007

* * * * * * *

U.S. IMPORTERS' INVENTORIES

Two U.S. importers reported inventories of imports of line pipe from China during the period for which data were collected, no firms reported inventories from Korea, and two firms reported inventories from other countries.[17] Data collected in these investigations on U.S. importers' end-of-period inventories of line pipe are presented in table VII-9. Inventory from China increased markedly from 2005 to 2006 then decreased by *** percent in 2007. *** accounted for the vast majority of inventory of Chinese line pipe. ***.

Table VII-9
Line pipe: U.S. importers' end-of-period inventories of imports, 2005-07

* * * * * * *

ANTIDUMPING AND COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Based on available information, no known antidumping or countervailing duties on subject line pipe exist in third-country markets.

[14] Those firms were ***.
[15] Those firms were ***.
[16] Those firms were ***.
[17] *** reported inventories from China. ***.

INFORMATION ON NONSUBJECT SOURCES

"Bratsk" Considerations

As a result of the Court of Appeals for the Federal Circuit ("CAFC") decision in *Bratsk Aluminum Smelter v. United States* ("Bratsk"), the Commission is directed to:

> *undertake an "additional causation inquiry" whenever certain triggering factors are met: "whenever the antidumping investigation is centered on a commodity product, and price competitive non-subject imports are a significant factor in the market." The additional inquiry required by the Court, which we refer to as the Bratsk replacement / benefit test, is "whether non-subject imports would have replaced the subject imports without any beneficial effect on domestic producers."*[18]

Nonsubject Source Information

During the preliminary phase of these investigations, the Commission sought pricing data from U.S. importers of line pipe from China, Korea, Japan, Mexico, Taiwan, and all other countries. Those data are presented in appendix D of this report. With respect to foreign nonsubject sources of supply, the Commission sought publicly available information regarding international suppliers of line pipe since 2005 from national import and export statistics, from conference testimony, and from interviews with industry sources.

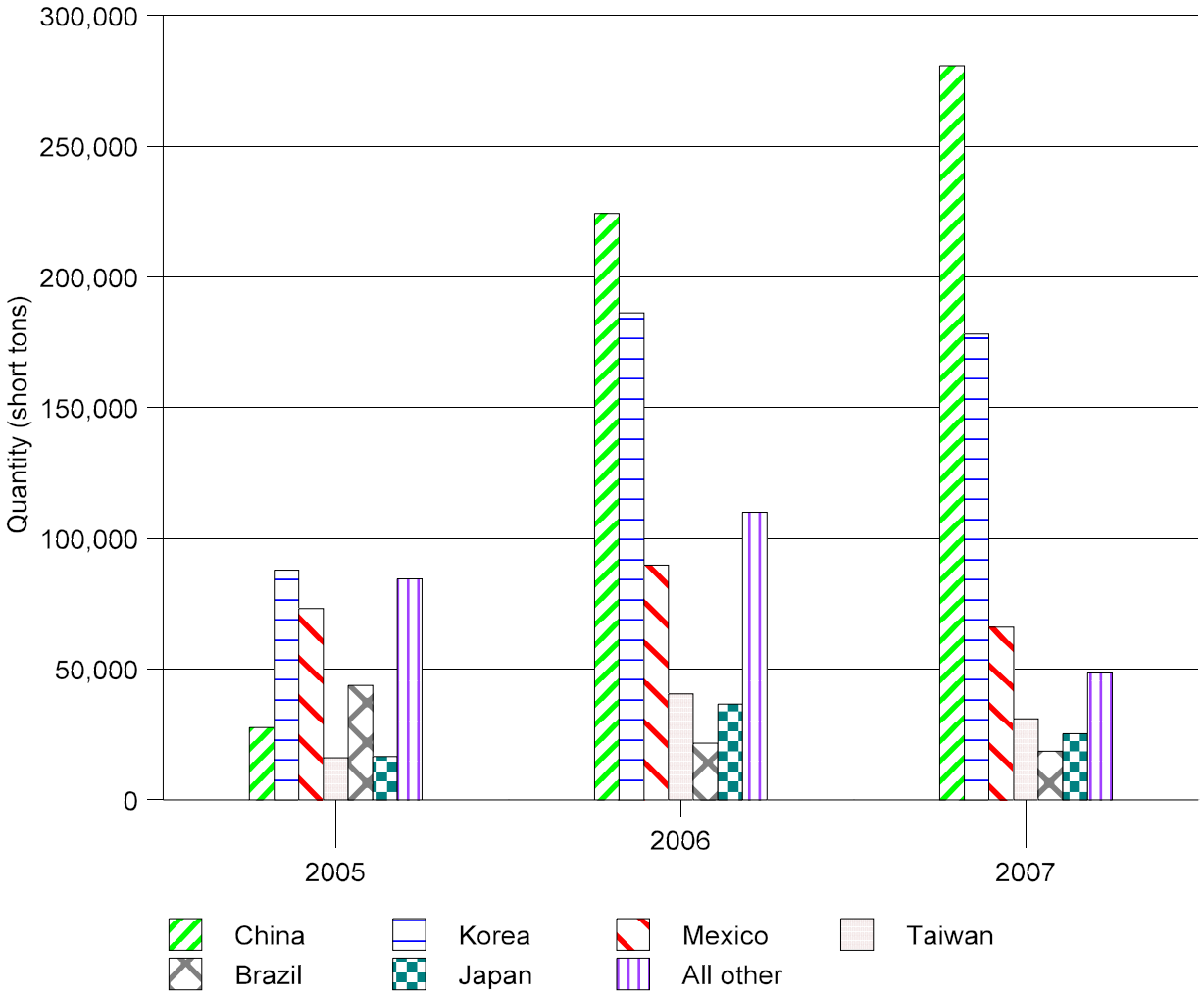
Overview

As discussed in Part IV of this report, the leading nonsubject source of line pipe is Mexico; other major nonsubject source countries include Taiwan, Japan, and as recently as 2005, Brazil. Imports from all nonsubject sources combined accounted for 66.9 percent of total imports in 2005 but, by 2007, had decreased as a share of total imports to 29.2 percent. Figure VII-1 shows the volume of subject and leading nonsubject imports for the period for which data were collected, while figure VII-2 shows the respective average unit values of such imports during the same period.

In general, most published data on welded steel pipes and tubes distinguish between OCTG and line pipe, on the one hand, and all other forms of welded 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 and structural applications, very broadly defined. In addition, published analysis of supply factors are often grouped at an even more aggregate level, combining all forms of welded pipe, reflecting in part a commonality among raw materials (i.e., hot-rolled sheet and strip and, for thicker pipe and tubes, steel plate) and some overlap of production facilities and methods. Accordingly, for the purpose of this market review, information and data are provided according to their availability, and include both subject and nonsubject welded line pipe.

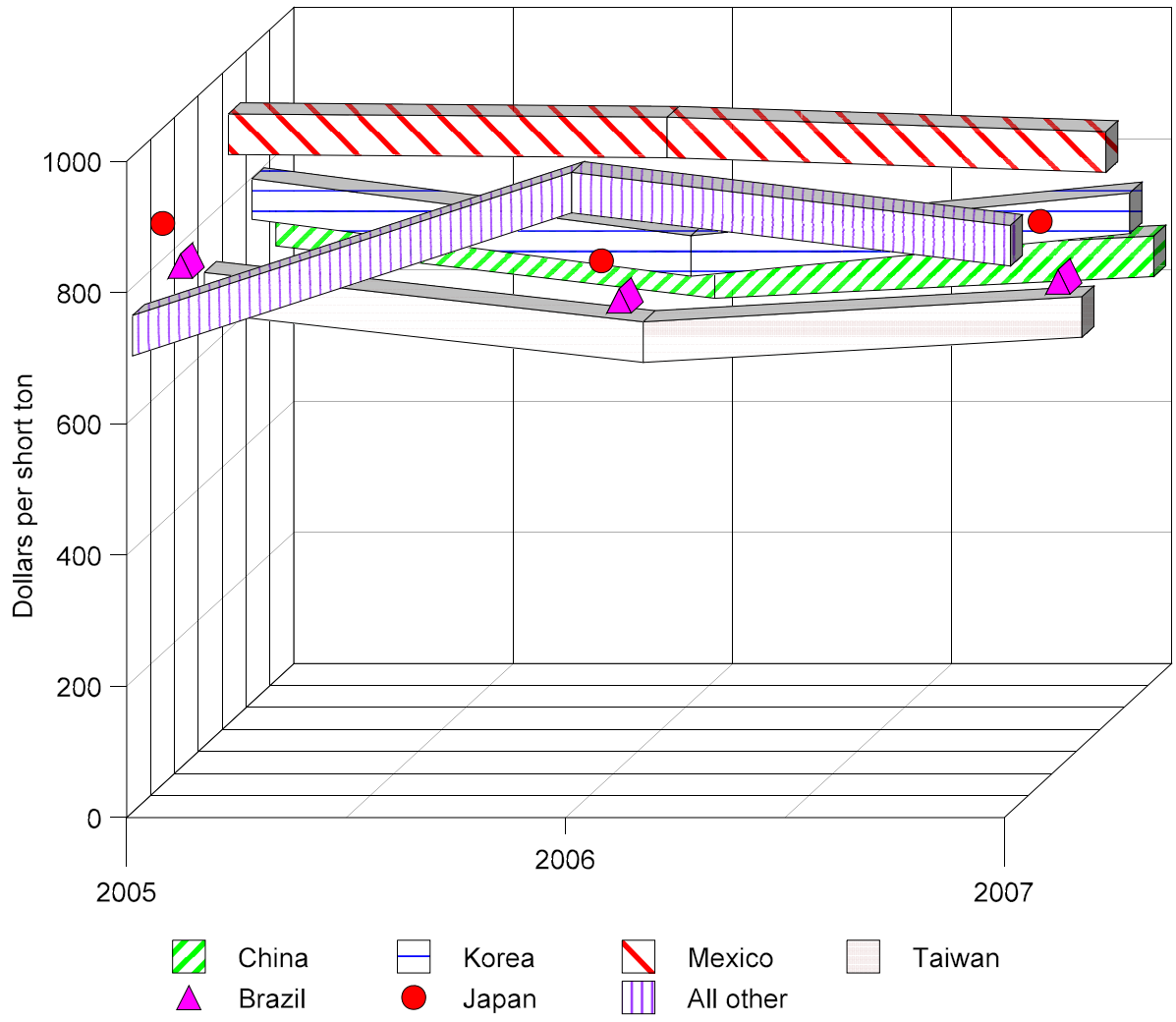
[18] *Silicon Metal from Russia, Inv. No. 731-TA-991 (Second Remand),* USITC Publication 3910, March 2007, p. 2; citing *Bratsk Aluminum Smelter v. United States*, 444 F.3d at 1375.

Figure VII-1
Line pipe: Quantity of U.S. imports, by sources, 2005-07



Source: Tables IV-2 and IV-3.

Figure VII-2
Line pipe: Average unit values of U.S. imports, by sources, 2005-07



Source: Tables IV-2 and IV-3.

Line pipe is produced in substantial quantities by welded pipe and tube producers throughout the world. Although figures specifically for global welded line pipe production are not generally available, the IISI publishes data on the global production of the larger product grouping of all welded pipe and tube.[19] As shown in table VII-10, welded pipe and tube production, especially in China, increased between 2004 and 2006.[20]

Table VII-10
Welded steel pipe: Global production, by region, 2004-06

Region	2004	2005	2006
	Quantity *(1,000 short tons)*[1]		
North America	4,892	6,662	7,019
United States	1,285	2,897	3,117
Canada	2,995	3,127	3,250
Mexico	612	639	651
European Union (15)[2]	10,049	9,984	10,639
Turkey	—	—	—
Asia	29,544	33,901	38,061
China	14,344	19,255	22,144
India	—	—	—
Japan	7,435	7,081	7,924
Korea	4,701	4,467	4,527
Taiwan	1,204	1,096	1,230
Thailand	—	—	—
Other Asia	15,200	14,646	15,917
Commonwealth of Independent States	—	—	—
South America	—	—	—
Total	46,570	50,693	57,285

[1] The data presented in this table are for all welded pipe and tube, and so are substantially overstated with respect to the welded line pipe subject to these investigations. Data were not published for the Commonwealth of Independent States, India, South America, Thailand, and Turkey in 2004-06. 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: International Iron and Steel Institute, *Steel Statistical Yearbook, 2007.*

[19] IISI, *Steel Statistical Yearbook 2007*. Global and regional production data as published by IISI refer to all welded pipe and tube (including, e.g., mechanical tubing, structural tubing, OCTG, and line pipe), and are therefore *substantially* broader than the subject merchandise. As such, global and regional production data represent general trends and are for illustrative purposes only.

[20] Data for 2007 are not yet available.

Leading Nonsubject Sources of Circular Welded Pipe

The following is an analysis of the world's leading exporters of welded line pipe which are also important suppliers to the United States. Global trade data provide a measure of the trade flows in subject merchandise, although for international comparisons, only data at the 6-digit level of the Harmonized System (HS) are available. Table VII-11 presents data for HS 7306.19 (7306.10 prior to 2007), which covers all welded carbon steel line pipe.[21] The data thus also include welded line pipes of outside diameter larger than 16 inches, which are not subject products of these investigations.

With respect to individual nonsubject countries, table VII-12 provides available information regarding the production capabilities of the countries providing the largest volumes of U.S. imports of line pipe other than China and Korea.

Table VII-11
Line pipe: Global exports, by country, 2005-07

Source	2005	2006	2007	2005	2006	2007
	Exports (*short tons*)[1]			Unit value (*U.S. $ per short ton*)[1]		
South Korea	227,927	309,758	384,511	691	631	718
China	80,691	134,070	343,716	659	635	582
Japan	84,823	86,783	91,031	1,179	1,013	1,412
EU27 (External Trade)[2]	109,882	268,845	85,777	1,051	1,085	1,761
Turkey	138,185	215,424	83,652	852	747	895
Mexico	94,244	117,913	77,639	885	890	869
Malaysia	2,127	928	70,056	576	1,251	457
United States	112,876	107,670	64,032	1,017	1,031	949
Taiwan	20,104	60,878	36,125	686	665	649
Brazil	49,326	39,566	24,367	696	909	990
Russia	63,597	19,025	24,259	622	680	809
Indonesia	16,691	8,697	24,098	793	659	861
Ukraine	62,424	62,382	17,682	591	675	713
Kazakhstan	10,728	6,327	12,711	109	150	178
Singapore	6,479	11,015	11,590	1,615	2,003	1,871
All other	159,478	159,736	18,306	816	949	1,500
Total	1,239,581	1,609,017	1,369,549	825	839	834

[1] The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus includes welded line pipe of outside diameter larger than 16 inches which are not subject to these investigations.

[2] The EU27 includes Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Romania, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Source: Compiled from *Global Trade Atlas*.

[21] HS 7306.10 and HS 7306.19 do not include stainless steel line pipe.

Table VII-12
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity[1] *(short tons)*	Product standard(s)	Parent company/related foreign producer
Brazil				
Apolo Pipe and Equipments	Mondesir	99,000	API 5L, ASTM A-53	([2])
	Pavuna	84,000		
Apolo Tubulars	São Paulo	150,000	API 5L	A joint venture between Grupo Peixoto de Castro Group (brazil) and Lone Star, each owns 50 percent in 2007.
Brastubo	Cutabao	331,000	API 5L, ASTM A- 53	([2])
	Guarulhos	331,000		
Empresa Brasileira de Solda Eletrica[3]	Rio de Janeiro	5,000	API 5L, ASTM A- 53	([2])
M.F. Persisco Pizzamiglio	Guarulhos	265,000	API 5L, ASTM A- 500	([2])
Metalurgica de Tubos de Precisao	Guarulhos	79,000	([2])	([2])
Tenaris Confab	Moreira Cesar	551,000	API 5L, ASTM A- 53	An affiliate of Tenaris Group (Luxembourg)
	Pinda			
	São Caetano do Sul			
Tubonal	Unidale de Belo Horizonte	([2])	API 5L, ASTM A- 53	([2])
	Unidale de Volta Redonda			
V&M do Brasil	Barreiro	661,000	API 5L, ASTM A-53	An affiliate of V&M Tubes, a Franco-German company.
Japan				
Araya Industrial	Osaka	([2])	Oil, gas, chemicals linepipe	([2])
JFE Steel Corp.	Chita Works	([2])	API 5L, ASTM A- 53	([2])
	East Japan Work (Chiba)			
	East Japan Works (Keilin)			
	West Japan Work (Fukuyama)			

Table continued on next page

Table VII-12–Continued
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity [1] (*short tons)*	Product standards	Parent company/related foreign producer
Maruichi Steel Tube	Ichibana	1,323,000	API 5L, ASTM A- 53	([2])
	Kashima pole	([2])		
	Kyushu	([2])	API 5L, ASTM A- 53	([2])
	Nagoya	225,000		
	Osaka	198,000		
	Sakai	529,000		
	Shikoku	([2])		
	Takuma	397,000		
Mory Industries	Kawachi-nagano	55,000	Line pipe, standard pipe, Japanese standards	([2])
	Mitsukaido			
Nippon Steel	Hikari	4,300,000	API 5L, ASTM A- 53	([2])
	Kimitsu			
	Nagoya			
	Tokyo			
	Yawata			
Nishimura Koki	Amagasaki	40,000	API 5L	([2])
	Kizugawa (Osaka)			
Osaka Tokushu Kokan (OTK)	Osaka	41,000	API 5L	([2])
	Shiga			
	Tokushima			
Sumimoto Metals	Amagasaki	3,307,000	API 5L, ASTM A- 53	([2])
	Kainan			
	Kashima			
	Wakayama			
Sumimoto Pipe & Tube	Tokyo	([2])	API 5L, ASTM A- 53	([2])
	Kashima			
Toa Gaigyo	Toban	([2])	API 5L	([2])
Usui Kokusai Sangyo Kaisha	Shizuoka	([2])	Line pipe	([2])

Table continued on next page.

Table VII-12–Continued
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity [1] (*short tons)*	Product standards	Parent company/related foreign producer
Mexico				
Procarsa	Frontera	([2])	API 5L	([2])
Pytco S.A. de C.V.	Coahuila	([2])	API 5L, ASTM A-53	([2])
Talleres Acero Rey S.A. de C.V.	Nuevo Leon	([2])	API 5L	([2])
Tenaris	Veracruz	([2])	API 5L, ASTM A- 53	An affiliate of Tenaris Group.
Ternium Hylsa	Nuevo Leon	([2])	API 5L, ASTM A- 53	([2])
Tubacero	Apocada Monterey Villa de Garcia	386,000	API 5L	([2])
Tuberia Laguna	Gomez Palacio	138,000	API 5L, ASTM A- 53	Tylsa Group
Tuberia Nacional Villacero	San Nicolas de los Garza	([2])	API 5L, ASTM A- 53	Villacero Group
Swecomex S.A. de C.V.	Veracruz	([2])	API 5L	([2])
Taiwan				
Femco	Chiyi Tou - Chau	159,000	API 5L, ASTM A- 53	([2])
Kao Hsing Chang	Kaohsiung	100,000[4]	API 5L, ASTM A- 53	([2])
Yieh Loong	Kaohsiung	110,000	API 5L, ASTM A- 53	([2])

[1] Capacity may be overstated because line pipe is only one among the many products manufactured by the companies' production lines.
[2] Not available.
[3] http://www.ebse.com.br/en/prod_tubos_indust.html
[4] Found at http://www.trade-taiwan.org/WebSiteTemp/en/e4.asp?page=3&v_id=75466009, retrieved May 9, 2008. http://www.sahathai.com/prod01.htm

Sources: Companies' websites and The *Simdex Steel Tube Manufacturers Worldwide Guide, 2008*.

Brazil

Table VII-13 indicates that there are nine producers of welded line pipe and related tubular products in Brazil that collectively offer a wide range of products, with a total reported Brazilian capacity approaching 3 million short tons per year. Brastubo is the leading Brazilian tube producer with total capacity of 662,000 short tons. V&M do Brasil is the country's second leading producer with a capacity of more than 661,000 short tons per year (including line pipe together with related tubular products). V&M is an affiliate of V&M Tubes, a French tube producer with production facilities in several countries including the United States and Canada. The third largest producer is Tenaris Confab with annual capacity of 551,000 short tons. Tenaris is an affiliate of Tenaris Group with headquarters in Luxembourg and with production facilities located in many countries.[22]

According to Global Trade Atlas, the United States was Brazil's leading foreign market during the past three years, accounting for almost 70 percent of Brazil's exports in 2007. However, during 2005-07, Brazil's total export volume steadily decreased by one-half to a total of 24,367 short tons in 2007 while Brazil's exports to the United States declined to 16,707 short tons (table VII-13).
Production facilities at Brazil's leading companies can typically produce a wide variety of tubular products to several international standards. Many plants are also equipped with coating and processing facilities and thus are able to adjust to market conditions.

Table VII-13
Line pipe: Brazil's exports, by quantity and average unit value, 2005-07

	2005	2006	2007	2005	2006	2007
Destination	**Exports (*short tons*)**			**Unit value (*U.S. $ per short ton*)**		
United States	47,242	29,878	16,707	689	694	714
Congo	0	9,131	4,839	0	1,568	1,810
Bolivia	0	0	962	0	0	1,362
Venezuela	258	378	860	695	690	852
Colombia	0	0	731	0	19,083	1,002
Angola	5	69	120	1,688	1,922	2,845
Norway	1,422	0	100	891	0	2,321
Belgium	0	0	48	74,410	0	1,475
Netherlands	0	0	0	0	0	810
Peru	0	0	0	0	0	47,792
All other	400	109	0	798	4,541	1,815
Total	49,326	39,566	24,367	696	909	990

Note.– The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe with an outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

[22] Tenaris group is the world's largest tube producer in terms of annual production.

Japan

According to the IISI (table VII-10), Japan was the world's second largest producer of welded steel pipe and related tubular products, with a production of over 7.9 million short tons in 2006 (the most recent year for which data are available).[23] There are 12 identified producers of welded line pipe in Japan (table VII-14). The largest producers are Nippon Steel, with a total capacity for tube and pipe of 4.3 million short tons, and Sumitomo Metals with a capacity of over 3.3 million short tons per year.[24] These quantities, however, are likely to be substantially overstated with respect to welded line pipe in the size ranges that are the subject of these investigations.[25] Most of Japan's plants can manufacture a wide variety of tubular products to several international specifications and are equipped with processing facilities including external and internal coating (polyurethane and epoxy lining).

According to Global Trade Atlas, Malaysia was the leading market for Japan's exports in 2007, accounting for approximately 57 percent of the total (table VII-14). During 2006-07, Japan's line pipe exports to Malaysia increased four-fold, enabling Malaysia to replace the United States as the leading market for Japan's welded line pipe exports. Global Trade Atlas also indicates that during the last three years, Japan has diversified its export markets to China, the EU27, and areas that are active in energy production including Nigeria and the Middle East.

Table VII-14
Line pipe: Japan's exports, by quantity and average unit value, 2005-07

	2005	2006	2007	2005	2006	2007
Destination	**Exports (*short tons*)**			**Unit value (*U.S. $ per short ton*)**		
Malaysia	17,743	10,047	51,582	1,839	1,097	1,516
United States	15,839	36,543	24,574	786	738	829
Norway	2,311	3,494	3,860	4,479	4,842	5,352
Vietnam	1,734	2,165	3,445	416	355	356
China	3,194	909	2,449	987	822	883
Nigeria	14,896	4,177	2,200	768	790	900
Saudi Arabia	0	61	992	0	1,909	1,129
Singapore	1,593	2,801	529	789	874	1,505
Indonesia	6,303	7,143	384	1,009	924	1,000
Belgium	0	0	306	0	0	915
All other	21,211	19,443	711	1,020	979	1,916
Total	84,823	86,783	91,031	1,179	1,013	1,412

Note.– The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe with an outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

[23] Japan was second only to China (table VII-10) in production of welded steel pipe.

[24] These companies are also among the world's leading integrated steel producers.

[25] In 1998, four Japanese line pipe producers accounting for 64 percent of welded line pipe production in Japan reported an aggregate capacity of 112,801 short tons. *Circular Welded Carbon Quality Line Pipe*, Investigation No. TA-201–70, USITC Publication 3261, December 1999, p. II-33. Although dated, staff believes that the larger portion of Japanese capacity dedicated to welded line pipe remains directed to large diameter line pipe.

Mexico

According to the IISI, during the period of 2004-06, Mexico increased production of welded line pipe from 612,000 short tons to 651,000 short tons, an increase of 6.5 percent (table VII-10).[26] Global Trade Atlas indicates that, in 2007, Mexico was the world's sixth largest exporter of welded line pipe in terms of volume (table VII-11).

According to Global Trade Atlas, approximately 90 percent of Mexico's exports in 2007 went to the United States, which was the dominant export destination for Mexico's line pipe during 2005-07. Nearly all the rest of Mexico's exports go to Latin American countries. During 2005-07, Mexico's total export volume decreased by almost 20 percent while Mexico's exports to the United States declined by nearly 10 percent (table VII-15).

Table VII-12 shows that there are nine producers of welded line pipe in Mexico with a reported combined capacity of over 525,000 short tons in 2007. Tubacero is among the largest Mexican producers with capacity of approximately 386,000 short tons**.** These quantities, however, are likely to be overstated with respect to welded line pipe in the size ranges that are the subject of these investigations.[27]

Table VII-15
Line pipe: Mexico's exports, by quantity and average unit value, 2005-07

Destination	2005	2006	2007	2005	2006	2007
	Exports *(short tons)*			Unit value *(U.S. $ per short ton)*		
United States	75,625	95,640	69,972	882	866	861
Venezuela	6,110	10,939	3,835	949	913	891
Colombia	5,748	976	2,462	809	890	987
Guatemala	2,045	700	393	866	1,164	964
Liechtenstein	0	0	364	0	0	808
Peru	0	0	319	0	0	1,369
Ecuador	0	0	169	0	0	833
Uruguay	239	0	99	1,092	0	892
Costa Rica	0	8,323	18	0	1,112	1,820
El Salvador	224	275	9	893	939	899
All other	4,252	1,061	0	959	895	0
Total	94,244	117,913	77,639	885	890	869

Note.–The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe with an outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

[26] 2006 is the most recent year for which data are available.

[27] In 1998, five Mexican line pipe producers reported an aggregate capacity of 245,900 short tons. *Circular Welded Carbon Quality Line Pipe*, Investigation No. TA-201–70, USITC Publication 3261, December 1999, p. II-36 and table 16. Although dated, staff believes that a portion of Mexican capacity dedicated to welded line pipe remains directed to large diameter line pipe.

According to the Commission's 2004 report on *Certain Circular Welded Carbon Quality Line Pipe from China, Korea, and Mexico*, most Mexican pipe mills were located in the Monterey area and their exports to the United States tended to be routed through Laredo, TX.[28]

Mexican plants are capable of producing a variety of tubular products including large line pipe,[29] OCTG, ASTM standard pipe, rectangular pipe and tubing, and conduits. Mexican producers can produce line pipe to API X70 specifications.[30] A U.S. affiliate of Mexican-based Villacero Group of companies, Tex-Tube,[31] has recently signed an agreement with Dallas-based Tubular Synergy Group (TSG) wherein TSG will market Tex-Tube's API products in the United Startes and Canada.[32]

Taiwan

According to the IISI, Taiwan's production level of welded tube surpassed 1.2 million short tons in 2006 (the most recent year for which data are available). In Asia, Taiwan ranked behind China, Japan, and Korea (table VII-10) in total production of welded tube in 2006.[33]

According to the Global Trade Atlas (table VII-16), the United States accounted for almost 80 percent of total Taiwan's exports in 2007 and, during 2005-07, was consistently the primary destination for Taiwan's exports. Australia, Taiwan's second largest export destination, accounted for 17 percent of the total in 2007. Other important export markets were largely in Asia. Taiwan's exports to the United States reached 36,237 short tons in 2006, but fell by 23 percent in 2007 relative to the previous year. Femco is the largest line pipe producer in Taiwan, with a reported capacity of 159,000 short tons. Simdex identifies three welded line pipe producers from Taiwan with a reported collective reported capacity of approximately 370,000 short tons (for all tubular products).

[28] *Certain Circular Welded Quality Line Pipe from China, Korea, and Mexico*; Invs. Nos. 731-TA-1073-1075 (Preliminary), USITC Publication 3687, April 2004, p. IV-4.

[29] A large line pipe has outside diameter larger than 16 inches and is not subject to these investigations.

[30] API X70 is a mid-level API specification in terms of quality .

[31] Villacero acquired Houston-based Tex-Tube in 1994.

[32] Maria Guzzo, "*Tex-Tube, Tubular Synergy Sign Marketing Agreement,*" American Metal Market, February 20, 2008, found at http://amm.com/2008-02-20__17-46-29.html retrieved May 8, 2008.

[33] IISI, *Steel Statistical Yearbook-2007*, table 29, p. 70.

Table VII-16
Line pipe: Taiwan's exports, by quantity and average unit value, 2005-07

Destination	2005	2006	2007	2005	2006	2007
	Exports *(short tons)*			Unit value (*U.S. $ per short ton*)		
United States	11,051	36,237	27,904	641	562	600
Australia	3,776	3,466	5,957	692	592	614
Thailand	2,374	992	858	683	733	696
Japan	303	685	720	1,904	1,989	2,003
New Zealand	67	23	290	912	587	618
Bangladesh	110	141	186	641	598	610
Singapore	1,539	94	62	677	549	669
United Arab Emirates	83	0	60	606	0	483
Hong Kong	33	44	41	2,580	2,186	2,273
China	82	54	39	919	1,324	13,203
All other	686	19,143	10	738	820	3,315
Total	20,104	60,878	36,125	686	665	649

Note.– The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007) which covers all welded line pipe excluding stainless steel. The data thus include welded line pipe of outside diameter larger than 16 inches which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

APPENDIX A

FEDERAL REGISTER NOTICES

This application will be processed in accordance with the regulations set forth in 43 CFR 2300.

Rights-of-way, leases, permits, cooperative agreements and other discretionary land use authorizations of a temporary nature would continue under the BLM during the 2-year segregation period.

No water rights would be needed to fulfill the purpose of this withdrawal.

Effective on the date of publication of this notice, the lands will be segregated from location and entry under the United States mining laws. The segregative effect of this application will terminate April 14, 2010, unless final withdrawal action is taken or the application is denied or cancelled prior to that date (43 CFR 2310.2). Notice of any action will be published in the **Federal Register**.

Notice is hereby given that an opportunity for a public meeting is afforded in connection with the proposed withdrawal and transfer of jurisdiction. All interested persons who desire a public meeting for the purpose of being heard on the proposed withdrawal and transfer of jurisdiction must submit a written request to the BLM Wyoming State Director at the address indicated above within 90 days from the date of publication of this notice. If the authorized officer determines that a public meeting will be held, a notice of the time and place will be published in the **Federal Register** at least 30 days before the scheduled date of the meeting.

(Authority: 43 CFR 2310.3–1)

Dated: March 24, 2008.

Michael Madrid,

Chief, Branch of Fluid Mineral Operations, Lands and Appraisal.

[FR Doc. E8–7840 Filed 4–11–08; 8:45 am]

BILLING CODE 6450–01–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–455 and 731–TA–1149–1150 (Preliminary)]

Certain Circular Welded Carbon Quality Steel Line Pipe From China and Korea

AGENCY: United States International Trade Commission.

ACTION: Institution of countervailing duty and antidumping duty investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase countervailing duty investigation No. 701–TA–455 (Preliminary) and antidumping duty investigation Nos. 731-TA–1149–1150 (Preliminary) under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)) (the Act) to determine whether there is a reasonable indication that 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 imports from China and Korea of certain circular welded carbon quality steel line pipe, provided for in subheadings 7306.19.10 and 7306.19.51[1] of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of China, and sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) or 732(c)(1)(B)of the Act (19 U.S.C. 1671a(c)(1)(B) or 1673a (c)(1)(B)), the Commission must reach a preliminary determination in these investigations in 45 days, or in this case by May 19, 2008. The Commission's views are due at Commerce within five business days thereafter, or by May 27, 2008.

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

EFFECTIVE DATE: April 3, 2008.

FOR FURTHER INFORMATION CONTACT: Elizabeth Haines (202–205–3200), 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.—These investigations are being instituted in response to a petition filed on April 3, 2008, by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, PA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (Pittsburgh, PA).

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission countervailing duty and antidumping 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 this investigation upon the expiration of the period for filing entries of appearance.

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 these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on April 24, 2008, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Elizabeth Haines (202–205–3200) not later than April 21, 2008, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the

[1] Prior to February 2, 2007, the subject merchandise was provided for in subheadings 7306.10.10 and 7306.10.50.

Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before April 29, 2008, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must 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 Fed. Reg. 68168, 68173 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation 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 207.12 of the Commission's rules.

By order of the Commission.

Issued: April 4, 2008.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–7830 Filed 4–11–08; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Under the Park System Resource Protection Act

Notice is hereby given that on April 7, 2008, a proposed Consent Decree (''Decree'') in *United States* v. *Kristin R. Blake,* Civil Action No. 07–5001 MMM (FMOx), was lodged with the United States District Court for the Central District of California, Western Division.

In this action the United States sought to recover response costs and damages pursuant to the Park System Resource Protection Act (''PSRPA), 16 U.S.C. 19jj to 19jj–4, and treble damages pursuant to California trespass law for injury to and destruction of vegetation resulting from the defendant's alleged cutting of a horse trail on a parcel owned by the United States and located within the Santa Monica Mountains National Recreation Area. The Decree would settle these claims in return for a payment of $56,500, to be deposited in the Department of the Interior's Natural Resource Damage Assessment and Restoration Fund, and applied toward response and damage assessment costs incurred as a result of the defendant's alleged incursion onto property of the United States and/or natural resource restoration projects related to this incident.

The Department of Justice will receive for a period of thirty (30) days from the date of this publication comments relating to the Decree. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources Division, and either e-mailed to *pubcomment-ees.enrd@usdoj.gov* or mailed to P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044–7611, and should reference *United States* v. *Kristin R. Blake.,* Civil Action No. 07–5001 MMM (FMOx), D.J. Ref. No. 90–5–1–1–08909.

The Decree may be examined at the Office of the United States Attorney, 300 North Los Angeles Street, room 7516, Los Angeles, CA 90012. During the public comment period, the Decree may also be examined on the following Department of Justice Web site: *http://www.usdoj.gov/enrd/Consent_Decrees.html.* A copy of the Decree may also be obtained by mail from the Consent Decree Library, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044–7611 or by faxing or e-mailing a request to Tonia Fleetwood (*tonia.fleetwood@usdoj.gov*), fax no. (202) 514–0097, phone confirmation number (202) 514–1547. In requesting a copy from the Consent Decree Library, please enclose a check in the amount of $2.75 (25 cents per page reproduction cost) payable to the U.S. Treasury or, if by email or fax, forward a check in that amount to the Consent Decree Library at the stated address.

Henry Friedman,

Assistant Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. E8–7779 Filed 4–11–08; 8:45 am]

BILLING CODE 4410–15–P

DEPARTMENT OF LABOR

Mine Safety and Health Administration

Petitions for Modification

AGENCY: Mine Safety and Health Administration, Labor.

ACTION: Notice of petitions for modification of existing mandatory safety standards.

SUMMARY: Section 101(c) of the Federal Mine Safety and Health Act of 1977 and 30 CFR part 44 govern the application, processing, and disposition of petitions for modification. This notice is a summary of petitions for modification filed by the parties listed below to modify the application of existing mandatory safety standards published in Title 30 of the Code of Federal Regulations.

DATES: All comments on the petitions must be received by the Office of Standards, Regulations, and Variances on or before May 14, 2008.

ADDRESSES: You may submit your comments, identified by ''docket number'' on the subject line, by any of the following methods:

1. *Electronic mail: Standards-Petitions@dol.gov.*

2. *Facsimile:* 1–202–693–9441.

3. *Regular Mail:* MSHA, Office of Standards, Regulations, and Variances, 1100 Wilson Boulevard, Room 2349, Arlington, Virginia 22209, Attention: Patricia W. Silvey, Director, Office of Standards, Regulations, and Variances.

4. *Hand-Delivery or Courier:* MSHA, Office of Standards, Regulations, and Variances, 1100 Wilson Boulevard, Room 2349, Arlington, Virginia 22209, Attention: Patricia W. Silvey, Director, Office of Standards, Regulations, and Variances.

We will consider only comments postmarked by the U.S. Postal Service or proof of delivery from another delivery service such as UPS or Federal Express on or before the deadline for comments. Individuals who submit comments by hand-delivery are required to check in at the receptionist desk on the 21st floor.

Individuals may inspect copies of the petitions and comments during normal business hours at the address listed above.

FOR FURTHER INFORMATION CONTACT: Lawrence D. Reynolds, Office of Standards, Regulations, and Variances at 202–693–9449 (Voice), *reynolds.lawrence@dol.gov* (E-mail), or 202–693–9441 (Telefax), or contact Barbara Barron at 202–693–9447 (Voice), *barron.barbara@dol.gov* (E-

Administration, Department of Commerce.

ACTION: Notice of Consent Motion to Terminate Panel Review of the final results of the second antidumping administrative review respecting Carbon and Certain Alloy Steel Wire Rod from Canada (Secretariat File No. USA–CDA–2006–1904–04).

SUMMARY: Pursuant to the Notice of Consent Motion to Terminate the Panel Review by the case participants, the panel review is terminated as of April 18, 2008. A panel was appointed to this panel review and has been dismissed pursuant to Rule 71(2) of the *Rules of Procedure for Article 1904 Binational Panel Review,* effective April 18, 2008.

FOR FURTHER INFORMATION CONTACT: Valerie Dees, United States Secretary, NAFTA Secretariat, Suite 2061, 14th and Constitution Avenue, Washington, DC 20230, (202) 482–5438.

SUPPLEMENTARY INFORMATION: Chapter 19 of the North American Free Trade Agreement (''Agreement'') establishes a mechanism to replace domestic judicial review of final determinations in antidumping and countervailing duty cases involving imports from a NAFTA country with review by independent binational panels. When a Request for Panel Review is filed, a panel is established to act in place of national courts to review expeditiously the final determination to determine whether it conforms with the antidumping or countervailing duty law of the country that made the determination.

Under Article 1904 of the Agreement, which came into force on January 1, 1994, the Government of the United States, the Government of Canada and the Government of Mexico established *Rules of Procedure for Article 1904 Binational Panel Reviews* (''Rules''). These Rules were published in the **Federal Register** on February 23, 1994 (59 FR 8686). The panel review in this matter was requested and terminated pursuant to these Rules.

Dated: April 22, 2008.

Valerie Dees,

United States Secretary, NAFTA Secretariat.

[FR Doc. E8–9296 Filed 4–28–08; 8:45 am]

BILLING CODE 3510–GT–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–570–936]

Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Notice of Initiation of Countervailing Duty Investigation

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

DATES: *Effective Date:* April 29, 2008.

FOR FURTHER INFORMATION CONTACT: Kristen Johnson or Eric Greynolds, AD/CVD Operations, Office 3, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; *telephone:* (202) 482–4793 and (202) 482–6071, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 3, 2008, the Department of Commerce (''Department'') received the Petition concerning imports of certain circular welded carbon quality steel line pipe (''welded line pipe'') from the People's Republic of China (''PRC'') filed in proper form by United States Steel Corporation, Maverick Tube Corporation, Tex-Tube Company, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, and AFL–CIO–CLC (collectively, ''Petitioners''). *See* Imposition of Antidumping and Countervailing Duties: Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea, dated April 3, 2008 (''Petition'').

On April 9 and 10, 2008, the Department issued requests for additional information and clarification of certain areas of the Petition. Based on the Department's requests, Petitioners filed additional information supplementing the Petition on April 14, 2008, including one submission on general issues (Response to the Department Questionnaire Concerning Volume I of the Petition, dated April 14, 2008 (''Supp. Response'')) and one submission on the imposition of countervailing duties (''CVD'') (Response to the Department Questionnaires Concerning Volume III of the Petition, dated April 14, 2008 (''Supp. CVD Response''')). On April 16, 2008, the Department called Petitioners to request certain information relating to the Petition. *See* Memorandum to the File from Meredith A.W. Rutherford, Import Policy Analyst, regarding Petitions for the Imposition of Antidumping and Countervailing Duties—Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea: Phone Call with Petitioner Regarding Industry Support, dated April 16, 2008. On April 17, 2008, the Department issued a request for additional information and clarification of certain areas of the Petition concerning the imposition of countervailing duties. On April 18, 2008, Wheatland Tube Company, a U.S. manufacturer of welded line pipe, filed a letter in support of the Petition. On April 21, 2008, Petitioners filed additional information in response to the April 16, 2008, memorandum to the file. *See* Response to the Department's Second Request for Additional Information Concerning the People's Republic of China and the Republic of Korea, dated April 21, 2008 (''Second Supp. Response''). Petitioners also filed a response to the Department's April 17, 2008, request for additional information on the imposition of countervailing duties. *See* Response to the Department's Request for Additional Information Concerning Volume III of the Petition filed on April 3, 2008 (''Second CVD Supp. Response'').

On April 21, 2008, the Department called Petitioners regarding the scope language. *See* Memorandum to the File from Norbert Gannon, Supervisory Import Policy Analyst, regarding Petitions for the Imposition of Antidumping and Countervailing Duties—Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea: Phone Call with Petitioners Regarding Industry Support, dated April 21, 2008. Additionally, on April 21, 2008, Stupp Corporation, a domestic producer of subject merchandise, filed a letter in support of the Petition.

In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended (''the Act''), Petitioners allege that manufacturers, producers, or exporters of welded line pipe in the PRC receive countervailable subsidies within the meaning of section 701 of the Act and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and Petitioners have demonstrated sufficient industry support with respect to the CVD investigation (*see* ''Determination of

Industry Support for the Petition'' section below).

Period of Investigation

The period of investigation (''POI'') is January 1, 2007, through December 31, 2007.

Scope of Investigation

The merchandise covered by this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (''welded line pipe''), not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (''HTSUS''). Specifically, the term ''carbon quality'' includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:

(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (''API'') (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple-stenciled pipe with an API line pipe stencil is covered by the scope of this investigation.

The line pipe products that are the subject of this investigation are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. The scope of this investigation covers line pipe which, we recognize, may include certain merchandise potentially subject to the on-going antidumping (AD) and CVD investigations of circular welded pipe (CWP investigations). *See Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Notice of Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination,* 73 FR 2445, January 15, 2008; *see also Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination; Preliminary Affirmative Determination of Critical Circumstances; and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination,* 72 FR 63875, November 13, 2007. Given that the scope issue has not been finally resolved in the CWP investigations, for purposes of this initiation, we have defined the scope to include the potential overlap. However, we intend to resolve the issue to ensure that there will be no overlap between the scopes in the CWP and welded line pipe cases. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by May 13, 2008, which is 20 calendar days from the date of signature of this notice. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the Government of the PRC for consultations with respect to the CVD petition. The Department held these consultations in Beijing, China, with representatives of the Government of the PRC on April 18, 2008. *See* the April 18, 2008, Memorandum to the File, entitled, ''Consultations with Officials from the Government of the People's Republic of China on the Countervailing Duty Petition regarding Circular Welded Carbon Quality Steel Line Pipe,'' on file in the Central Records Unit (''CRU'') of the Department of Commerce, Room 1117.

Determination of Industry Support for the Petition

Section 702(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 702(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 702(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the ''industry'' as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (''ITC''), which is responsible for determining whether ''the domestic industry'' has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc.* v. *United States,* 132 F. Supp. 2d 1, 8 (CIT

2001), citing *Algoma Steel Corp. Ltd.* v. *United States,* 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the 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 under this title.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation,'' (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that welded line pipe constitutes a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* ''Countervailing Duty Investigation Initiation Checklist: Circular Carbon Quality Steel Line Pipe from the People's Republic of China,'' (''Initiation Checklist'') Industry Support at Attachment II, on file in the CRU.

In determining whether Petitioners have standing (*i.e.*, those domestic workers and producers supporting the petition account for (1) at least 25 percent of the total production of the domestic like product and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition), we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the ''Scope of Investigation'' section above. To establish industry support, Petitioners provided their shipments for the domestic like product for the year 2007, and compared them to shipments of the domestic like product for the industry. In the Petition, Petitioners demonstrated the correlation between shipments and production. *See* Petition, Volume I, at 3, and Exhibit 3b. Based on the fact that total industry production data for the domestic like product for 2007 is not reasonably available, and that Petitioners have established that shipments are a reasonable proxy for production data, we have relied upon shipment data for purposes of measuring industry support. For further discussion *see* Initiation Checklist, at Attachment II (Industry Support).

The Department's review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petition establishes support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* Section 702(c)(4)(D) of the Act. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(I) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. *See Initiation Checklist* at Attachment II (Industry Support). The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are an interested party as defined in section 771(9)(C) and (D) of the Act and they have demonstrated sufficient industry support with respect to the CVD investigation that they are requesting the Department initiate. *See Initiation Checklist* at Attachment II (Industry Support).

Injury Test

Because the PRC is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to these investigations. 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.

Allegations and Evidence of Material Injury and Causation

Petitioners allege that imports of welded line pipe from the PRC are benefitting from countervailable subsidies and that such imports are causing or threaten to cause, material injury to the domestic industry producing welded line pipe. In addition, Petitioners allege that subsidized imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, underselling and price depressing and suppressing effects, lost sales and revenue, a decline in financial performance, and an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* Initiation Checklist at Attachment III (Injury).

Initiation of Countervailing Duty Investigation

Section 702(b) of the Act requires the Department to initiate a CVD proceeding whenever an interested party files a petition on behalf of an industry that (1) alleges the elements necessary for an imposition of a duty under section 701(a) of the Act; and (2) is accompanied by information reasonably available to the petitioner(s) supporting the allegations. The Department has examined the CVD petition on welded line pipe from the PRC and finds that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating a CVD investigation to determine whether manufacturers, producers, or exporters of welded line pipe in the PRC receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, *see* Initiation Checklist.

We are including in our investigation the following programs alleged in the Petition to have provided countervailable subsidies to producers and exporters of the subject merchandise in the PRC:

A. Preferential Loans

1. Preferential Lending of Policy Loans to State-Owned Enterprises (''SOEs'') and the Steel Industry by State-Owned and Controlled Banks.

2. Preferential Loans for Key Projects and Technologies.

B. Equity Infusions and Debt-to-Equity Swaps

1. Equity Infusions into Baosteel.

2. Debt-to-Equity Swaps for SOEs.

C. Tax Benefit Programs

1. The ''Two Free, Three Half'' Program.

2. Income Tax Reduction for Export-Oriented Foreign Invested Enterprises (''FIEs'').

3. Income Tax Reductions for FIEs Based on Location.
4. Preferential Tax Programs for FIEs that Quality as Technology-Intensive or Knowledge-Intensive.
5. Preferential Tax Programs for FIEs Recognized as High or New Technology Enterprises.
6. Preferential Tax Programs for FIEs that are Engaged in Research and Development.
7. Income Tax Reduction for FIEs that Reinvest Profits into Export-Oriented Enterprises.
8. Local Income Tax Exemption and Reduction Programs for ''Productive'' FIEs.
9. Income Tax Credits on Purchases of Domestically-produced Equipment by FIEs.
10. Income Tax Credits on Purchases of Domestically-produced Equipment by Domestically-Owned Companies.

D. Value-Added Tax (''VAT'') Programs

1. VAT Exemptions for Use of Imported Equipment.
2. VAT Export Rebates.

E. Land Grants and Discounts

F. Provision of Inputs for Less Than Adequate Remuneration

1. Hot-Rolled Steel.
2. Electricity.
3. Water.

G. Grant Programs

1. Interest Subsidies for Key Projects and Technologies.
2. State Key Technologies Renovation Project Fund.
3. Central Government's Famous Brands Program.
4. Government of Guandong Province Provision of Grants to Companies for Outward Expansion and Export Performance.
5. Export Interest Subsidy Program.
6. Grants to State Owned Enterprises Operating at Loss.

H. Provincial Programs

1. Northeast Revitalization Program.
2. Liaoning Province Framework.
3. The ''Five Points One Line'' Program.
4. Liaoning Province Grants.
5. Sub-Central Government Programs to Promote Famous Brands.

For further information explaining why the Department is investigating these programs, *see* Initiation Checklist.

We are not including in our investigation the following programs alleged to benefit producers and exporters of the subject merchandise in the PRC:

1. VAT Refunds Available to Companies Operating in Specific Locations

Petitioners allege that VAT refunds are available to companies that are located in the Economic Development Zone of Hainan. Specifically, under the ''Preferential Policies Regarding Investment by Manufacturer,'' high-tech or labor intensive enterprises with an investment of more than RMB 3 billion and more than 1,000 local employees are refunded 25 percent of the VAT paid on domestic sales, the percentage of the tax received by the local government. The subsidy starts the first year the company has production and sales and continues for five years. Petitioners, however, did not demonstrate that producers/exporters of welded line pipe are located in the Hainan Province or explain why such information is unavailable. Therefore, we are not investigating this program.

2. Preferential Tax Programs for Enterprises Making Little Profit

Petitioners assert that China's subsidies notification to the World Trade Organization (''WTO'') indicates that the Chinese government (''GOC'') provides preferential tax treatment to enterprises making little profit. This program, which is authorized by the Ministry of Finance, provides an 18 percent income tax reduction for enterprises which have annual taxable income of less than RMB 30,000 and a 27 percent income tax reduction to enterprises which have annual taxable income between RMB 30,000 and RMB 100,000. Petitioners, however, have not established with reasonably available information that ''enterprises making little profit'' are a *de jure* or *de facto* specific group. Petitioners failed to provide an explanation of why companies with access to this program comprise an enterprise or industry, or group of enterprises or industries, as those terms are normally interpreted by the Department. Therefore, we are not investigating this program.

3. Preferential Tax Programs for Enterprises Engaged in Research and Development

Petitioners allege that the GOC provides preferential tax policies for domestic-invested enterprises engaged in research and development. Specifically, Petitioners claim that under this program, authorized by the Ministry of Finance, the costs associated with research and development of new products, new technologies, and new crafts which have increased 10 percent or more from the previous year, are offset by 150 percent from the taxable income of that year. Petitioners, however, have not established with reasonably available information that ''domestic enterprises'' are a *de jure* or *de facto* specific group. Petitioners failed to provide an explanation of why companies with access to this program comprise an enterprise or industry, or group of enterprises or industries, as those terms are normally interpreted by the Department. Therefore, we are not investigating this program.

4. Central Government Grants and Loans

Petitioners allege that the government provides grants and loans for technology and research. Petitioners claim that one such program is administered by the Ministry of Finance pursuant to State Council Circular No. 99 of 1987, which is referenced in China's WTO accession. Petitioners assert that this grant program is intended to benefit preferred industries such as the steel industry, including welded line pipe producers. Petitioners, however, have not provided adequate documentation to support the allegation that this program is specific. For example, the evidence provided by Petitioners does not support the claim that this program is specific to state-owned enterprises or to the steel industry. We, therefore, are not investigating this program.

5. Hunan Province Grants and Loans

Petitioners allege that in 1999, the Hunan Province provided approximately RMB 300 million, in the form of grants and reduced-interest loans, for technological upgrades and for hi-tech companies located in the province. Petitioners claim that welded line pipe producers located in Hunan Province likely benefited from the program. Petitioners, however, have failed to demonstrate that welded line pipe producers are located in Hunan Province. We, therefore, are not investigating this program.

6. Government-Mandated Mergers and Transfers of Ownership on Terms Inconsistent With Commercial Considerations

Petitioners allege that the GOC provides benefits to welded line pipe producers through government-mandated mergers and transfers of ownership on terms inconsistent with commercial considerations. Petitioners maintain that the mergers are driven by the GOC's Eleventh FYP and China's Steel Policy. Petitioners allege that because many Chinese steel companies are controlled by the government, the GOC can essentially order companies to merge. Petitioners allege that such mergers commonly involve offering ownership stakes in state-owned steel companies to other, larger steel producers at prices below market value, or even for free. Petitioners, however, fail to explain how mergers and restructuring of state-owned enterprises provide a financial contribution in light of the Department's past practice in addressing restructuring of government-owned steel companies. *See*, *e.g.*, *Final Affirmative Countervailing Duty*

Determination: Certain Steel Products from Italy, 58 FR 37327 (July 9, 1993). Therefore, we are not investigating the provision of ''other companies'' for less than adequate remuneration.

7. Other Grant Programs

Petitioners assert that a review of available financial reports of Chinese welded line pipe producers indicates that many of the producers have benefitted from direct cash grants provided under other grant programs and policies administered by the GOC. Petitioners, however, have not adequately established with reasonably available evidence how these programs are specific. Petitioners also have not established whether these grants are a result of programs separate from those which Petitioners have already alleged. We, therefore, are not investigating this program.

Application of the Countervailing Duty Law to the PRC

The Department has treated the PRC as a non-market economy (''NME'') country in all past AD investigations and administrative reviews. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority. *See*, *e.g.*, *Tapered Roller Bearings and Parts Thereof, Finished and 10 Unfinished, (''TRBs'') From the People's Republic of China: Preliminary Results of 2001–2002 Administrative Review and Partial Rescission of Review*, 68 FR 7500, 7500–1 (February 14, 2003), unchanged in *TRBs from the People's Republic of China: Final Results of 2001–2002 Administrative Review*, 68 FR 70488, 70488–89 (December 18, 2003).

In the final affirmative CVD determination on coated free sheet paper from the PRC, the Department determined that the current nature of the PRC economy does not create obstacles to applying the necessary criteria in the CVD law. *See Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007), and the accompanying Issues and Decision Memorandum at Comment 1. Therefore, because Petitioners have provided sufficient allegations and support of their allegations to meet the statutory criteria for initiating a CVD investigation of welded line pipe from the PRC, initiation of a CVD investigation is warranted in this case.

Respondent Selection

For this investigation, the Department expects to select respondents based on U.S. Customs and Border Protection (''CBP'') data for U.S. imports during the POI. We intend to make our decision regarding respondent selection within 20 days of publication of this **Federal Register** notice. The Department invites comments regarding the CBP data and respondent selection within seven calendar days of publication of this **Federal Register** notice.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public version of the Petition has been provided to the GOC. As soon as possible and to the extent practicable, we will attempt to provide a copy of the public version of the Petition to each exporter named in the Petition, consistent with 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation, as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of the initiation, whether there is a reasonable indication that imports of subsidized welded line pipe from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. *See* Section 703(a)(2) of the Act. A negative ITC determination will result in the investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: April 23, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E8–9345 Filed 4–28–08; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–861, A–570–935]

Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations

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

DATES: *Effective Date:* April 29, 2008.

FOR FURTHER INFORMATION CONTACT: Dena Crossland (Republic of Korea), Jeffrey Pederson, or Rebecca Pandolph (People's Republic of China), AD/CVD Operations, Office 7 and Office 4, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: 202–482–3362, 202–482–2769, or 202–482–3627, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 3, 2008, the Department of Commerce (''Department'') received the petition concerning imports of certain circular welded carbon quality steel line pipe (''welded line pipe'') from the Republic of Korea (''Korea'') and the People's Republic of China (''PRC'') filed in proper form by United States Steel Corporation (''U.S. Steel''), Maverick Tube Corporation (''Maverick''), Tex-Tube Company (''Tex-Tube''), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, and AFL–CIO–CLC (''United Steelworkers'') (collectively, ''Petitioners''). *See* Imposition of Antidumping and Countervailing Duties: Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea, dated April 3, 2008 (in four volumes) (''Petition'').

On April 9, 2008, the Department issued requests for additional information and clarification of certain areas of the Petition. Based on the Department's requests, Petitioners filed additional information supplementing the Petition on April 14, 2008, including one submission on general issues (Response to the Department Questionnaire Concerning Volume I of the Petition, dated April 14, 2008 (''Supp. Response'')), one distinct submission on Korea-only material (Response to the Department Questionnaire Concerning the Republic of Korea, dated April 14, 2008 (''Supp. Korea Response'')), and one distinct submission on PRC-only material (Response to the Department Questionnaire Concerning the People's Republic of China, dated April 14, 2008 (''Supp. PRC AD Response'')). On April 16 and April 17, 2008, the Department called Petitioners to request certain information relating to the Petition, the Supp. Korea Response, and the Supp. PRC AD Response. *See* Memorandum to the File from Meredith A.W. Rutherford,

Import Policy Analyst, regarding Petitions for the Imposition of Antidumping and Countervailing Duties—Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea: Phone Call with Petitioner Regarding Industry Support, dated April 16, 2008; Memorandum to the File from Juanita H. Chen, Special Assistant to the SEC Office, through Edward C. Yang, Director, SEC Office, AD/CVD Operations, China/NME Group, regarding Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Request for Information, dated April 17, 2008; and Memorandum to the File from Dena Crossland, Analyst, through Patrick Edwards, Acting Program Manager, AD/CVD Operations, Office 7, regarding Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea: Request for Information, dated April 17, 2008. On April 18, 2008, Wheatland Tube Company, a U.S. manufacturer of welded line pipe, filed a letter in support of the Petition. On April 21, 2008, Petitioners filed additional information in response to the Department's April 16, 2008, and April 17, 2008, request for information. *See* Response to the Department's Second Request for Additional Information Concerning the People's Republic of China and the Republic of Korea, dated April 21, 2008 (''Second Supp. Response''); Response to the Department's Second Request for Additional Information Concerning the People's Republic of China, dated April 21, 2008 (''Second Supp. PRC AD Response''); and Response to the Department's Second Request for Additional Information Concerning the Republic of Korea, dated April 21, 2008 (''Second Supp. Korea Response''). On April 21, 2008, The Department called Petitioners regarding the scope language. *See* Memorandum to the File from Norbert Gannon, Supervisory Import Policy Analyst, regarding Petitions for the Imposition of Antidumping and Countervailing Duties—Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea: Phone Call with Petitioner Regarding Scope, dated April 21, 2008. Additionally, on April 21, 2008, Stupp Corporation, a domestic producer of subject merchandise, filed a letter in support of the Petition.

In accordance with section 732(b) of the Tariff Act of 1930, as amended (''Act''), Petitioners allege that imports of welded line pipe from Korea and the PRC are being, or are likely to be, sold in the United States at less than fair value, within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because Petitioners are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act, and have demonstrated sufficient industry support with respect to the antidumping duty investigations that Petitioners are requesting that the Department initiate. *See* ''Determination of Industry Support for the Petition'' section below.

Periods of Investigation

The period of investigation (''POI'') for Korea is April 1, 2007, through March 31, 2008. The POI for the PRC is October 1, 2007, through March 31, 2008. See 19 CFR 351.204(b)(1).

Scope of Investigations

The merchandise covered by each of these investigations is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (''welded line pipe''), not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (''HTSUS''). Specifically, the term ''carbon quality'' includes products in which (1) Iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:

(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (''API'') (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple-stenciled pipe with an API line pipe stencil is covered by the scope of these investigations.

The line pipe products that are the subject of these investigations are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

Comments on Scope of Investigations

During our review of the Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. The scope of these investigations covers line pipe which, we recognize, may include certain merchandise potentially subject to the on-going antidumping (''AD'') and countervailing duty (''CVD'') investigations of circular welded pipe (''CWP''). *See Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Notice of Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination*, 73 FR 2445 (January 15, 2008); *see also Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination; Preliminary Affirmative Determination of Critical Circumstances; and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 72 FR 63875 (November 13, 2007). Given that the scope issue has not been finally resolved in the CWP investigations, for purposes of these initiations, we have defined the scope to include the potential overlap. However, we intend to resolve the issue to ensure that there will be no overlap between the scopes in the CWP and welded line pipe cases. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by May 13, 2008, which is 20 calendar days

from the date of signature of this notice. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1117, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Comments on Product Characteristics for Antidumping Duty Questionnaires

We are requesting comments from interested parties regarding the appropriate physical characteristics of welded line pipe to be reported in response to the Department's antidumping duty questionnaires. This information will be used to identify the key physical characteristics of the subject merchandise in order to more accurately report the relevant factors and costs of production, as well as to develop appropriate product comparison criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate listing of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as (1) general product characteristics and (2) the product comparison criteria. We note that it is not always appropriate to use all product characteristics as product comparison criteria. We base product comparison criteria on meaningful commercial differences among products. In other words, while there may be some physical product characteristics utilized by manufacturers to describe welded line pipe, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the order in which the physical characteristics should be used in product matching. Generally, the Department attempts to list the most important physical characteristics first and the least important characteristics last.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaires, we must receive comments at the above-referenced address by May 13, 2008. Additionally, rebuttal comments addressing only those issues raised in the comments must be received by May 20, 2008.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

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Section 771(10) of the Act defines the 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 under this subtitle.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation'' (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioners do not offer a definition of domestic like product distinct from the scope of these investigations. Based on our analysis of the information submitted on the record, we have determined that welded line pipe constitutes a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* ''Antidumping Duty Investigation Initiation Checklist: Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea (Korea)'' (''Korea Initiation Checklist''), Industry Support at Attachment II, and ''Antidumping Duty Investigation Initiation Checklist: Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China'' (''PRC Initiation Checklist''), Industry Support at Attachment II, on file in the Central Records Unit (''CRU''), Room 1117 of the main Department of Commerce building.

With regard to section 732(c)(4)(A) of the Act, in determining whether Petitioners have standing (*i.e.*, those domestic workers and producers supporting the Petition account for (1) at least 25 percent of the total production of the domestic like product and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition), we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the ''Scope of Investigations'' section, above. To establish industry support, Petitioners provided their shipments for the domestic like product for the year 2007, and compared them to shipments of the domestic like product for the industry. In the Petition, Petitioners demonstrated the correlation between shipments and production and argued that shipments are a good proxy for production. *See* Petition, Volume I, at 3, and Exhibit 3b. Based on the fact that total industry production data for the domestic like product for 2007 is not reasonably available, and that Petitioners have established that shipments are a reasonable proxy for production data, we have relied upon shipment data for purposes of measuring industry support. For further discussion, *see* Korea Initiation Checklist and PRC Initiation

Checklist at Attachment II (Industry Support).

The Department's review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petition establishes support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* section 732(c)(4)(D) of the Act and Korea Initiation Checklist and PRC Initiation Checklist at Attachment II (Industry Support). Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. *See* Korea Initiation Checklist and PRC Initiation Checklist at Attachment II (Industry Support). Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See* Korea Initiation Checklist and PRC Initiation Checklist at Attachment II (Industry Support).

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act and have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department initiate. *See* Korea Initiation Checklist and PRC Initiation Checklist at Attachment II (Industry Support).

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (''NV''). Petitioners contend that the industry's injured condition is illustrated by reduced market share, underselling and price depressing and suppressing effects, lost sales and revenues, a decline in financial performance, and an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* Korea Initiation Checklist and PRC Initiation Checklist at Attachment III.

Allegations of Sales at Less Than Fair Value

The following is a description of the allegations of sales at less than fair value (''LTFV'') upon which the Department based its decision to initiate these investigations of imports of welded line pipe from Korea and the PRC. The sources of data for the deductions and adjustments relating to the U.S. price, NV (for Korea), and the factors of production (for the PRC) are also discussed in the country-specific initiation checklists. *See* Korea Initiation Checklist and PRC Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we will reexamine the information and revise the margin calculations, if appropriate.

Korea

Constructed Export Price (''CEP'')

Petitioners calculated two CEPs based on price quotes for Korean-produced welded line pipe that was sold or offered for sale in the United States during the POI. Petitioners claimed that CEP was appropriate for Korea because the major Korean producers of welded line pipe typically sell through affiliated offices in the United States which, in turn, resell the welded line pipe to distributors in the United States. *See* Petition, Volume IV, at Exhibit IV–1. Petitioners made adjustments to the starting price for foreign inland freight, ocean freight, marine insurance expenses, foreign and U.S. port expenses, and estimated expenses that the affiliated distributor would incur in selling merchandise on behalf of the Korean producer in the United States. Foreign inland freight, ocean freight and insurance were calculated as the difference between the value of welded line pipe imports from Korea on a ''cost-insurance-freight'' (''CIF'') basis, and the value of welded line pipe imports from Korea on a custom's value basis as reported on the ITC's ''DataWeb'' at *http://usitc.gov/tata/hts/other/dataweb*. Petitioners calculated foreign and U.S. port expenses based on U.S. and Korean tariff schedule data. *See* Petition, Volume IV, at Exhibits 7, 7a, and 7b. *See* Korea Initiation Checklist for further discussion.

NV

Petitioners calculated NV based on home market prices for welded line pipe produced in Korea and sold or offered for sale to customers in Korea. Petitioners calculated the ex-factory NV for the home market sales by converting the reported offer prices to a per-ton basis. *See* Petition, Volume IV, at 9–12, and Korea Initiation Checklist for further discussion.

PRC

EP

Petitioners calculated two EPs based on two price quotes for welded line pipe from the PRC, offered for sale during the POI. Petitioners made adjustments to the starting prices by deducting the costs associated with exporting and delivering the product, including foreign inland freight and ocean freight, insurance expenses, foreign and U.S. port expenses and wharfage fees, and brokerage and handling expenses. *See* PRC Initiation Checklist for further discussion.

NV

Petitioners note that the PRC is a non-market economy country (''NME'') and, as the Department has not revoked this determination, such status remains in effect today. *See* Petition, Volume II, at 11. The Department has previously examined the PRC's market status and determined that NME status should continue for the PRC. *See* Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, regarding The People's Republic of China Status as a Non-Market Economy, dated May 15, 2006 (available online at *http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf*). In addition, in recent investigations, the Department has continued to determine that the PRC is an NME country. *See Final Determination of Sales at Less Than Fair Value: Sodium Hexametaphosphate from The People's Republic of China*, 73 FR 6479 (February 4, 2008); *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); *Final Determination of Sales at Less Than Fair Value: Certain Activated Carbon from the People's Republic of China*, 72 FR 9508 (March 2, 2007).

In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of the PRC investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioners argue that India is the appropriate surrogate country for the PRC because it is at a comparable level of economic development and it is a significant producer of welded line pipe. *See* Petition, Volume II, at 12. Based on the information provided by Petitioners, the Department believes that the use of India as a surrogate country is appropriate for purposes of initiation. However, after initiation of the investigation, interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 CFR 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

Petitioners calculated NV and dumping margins for the two U.S. prices, discussed above, using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Petitioners calculated NV based on Company A's consumption rates for producing welded line pipe, arguing that it is the best information reasonably available to Petitioners.[1] *See* PRC Initiation Checklist.

Petitioners valued the factors of production to produce welded line pipe based on reasonably available, public surrogate country data, including India import data from the Monthly Statistics of the Foreign Trade of India, and prices from Energy Prices & Taxes: Second Quarter 2003, published by the International Energy Agency. Petitioners calculated labor cost using rates posted on the Department's Web site. Where Petitioners were unable to find input prices from a period contemporaneous with the POI, Petitioners adjusted for inflation using the wholesale price index for India, as published in the International Monetary Fund Publication ''International Financial Statistics.'' *See* Petition, Volume II, at 19 and Exhibit II–8. Petitioners made currency conversions, where necessary, using a simple average of the rupee/U.S. dollar exchange rate for the POI, as reported on the Department's Web site. *See* Petition, Volume II, at 19; Supp. PRC AD Response, at Exhibit Supp-9. While Petitioners calculated movement expenses using information from the Department of Commerce and the ITC, Petitioners did not include freight expenses in their calculation of surrogate values for the PRC because they could not determine the correct distance necessary for the calculations. *See* Petition, Volume II, at 19–20; Supp. PRC AD Response, at Exhibit Supp-9. For purposes of initiation, the Department determines that the surrogate values used by Petitioners are reasonably available and, thus, acceptable. However, the Department modified the surrogate value that Petitioners calculated for hot-rolled steel coil. *See* PRC Initiation Checklist.

Petitioners based factory overhead expenses, selling, general and administrative (''SG&A'') expenses, and profit, on financial data from the 2006–2007 annual reports of Tata Steel Limited, Jindal SAW Ltd. (''Jindal''), and Ratnamani Metals & Tubes Ltd., Indian producers of welded steel pipe using steel sheet in coils. *See* Petition, Volume II, at 22–25; Supp. PRC AD Response at Exhibit Supp-9. We recalculated factory overhead expenses, SG&A expenses, and profit using only Jindal's data because of the three potential surrogate companies, only Jindal's financial data were from a period that overlapped with the POI. In addition, we revised the financial ratios that Petitioners calculated from Jindal's data to account for expenses that were omitted from Petitioner's calculation. *See* PRC Initiation Checklist.

Fair Value Comparisons

Based on the data provided by Petitioners, with adjustments as requested by the Department, there is reason to believe that imports of welded line pipe from Korea and the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on a comparison of CEP and NV, calculated in accordance with sections 772(b) and 773(a)(1) of the Act, respectively, estimated dumping margins for welded line pipe from Korea range from 41.69 percent to 42.75 percent. *See* Korea Initiation Checklist. Based on a comparison of EP and NV, calculated in accordance with sections 772(a) and 773(c) of the Act, respectively, the revised estimated dumping margins for welded line pipe from the PRC range from 57.45 percent to 58.96 percent. *See* PRC Initiation Checklist.

Initiation of Antidumping Investigations

Based upon the examination of the Petition on welded line pipe from Korea and the PRC, the Department finds that the Petition meets the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of welded line pipe from Korea and the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we intend to make our preliminary determinations no later than 140 days after the date of this initiation.

Respondent Selection for Korea

For the Korean investigation, the Department intends to select respondents based on U.S. Customs and Border Protection (''CBP'') data for U.S. imports during the POI. We intend to release the CBP data under Administrative Protective Order (''APO'') to all parties with access to information protected by APO within five days of publication of this **Federal Register** notice, and make our decision regarding respondent selection within 20 days of publication of this notice. The Department invites comments regarding the CBP data and respondent selection within 10 days of publication of this **Federal Register** notice.

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305. Instructions for filing such applications may be found on the Department's Web site at *http://ia.ita.doc.gov/apo*.

Respondent Selection for the PRC

In the PRC investigation, the Department will request quantity and value information from all known exporters and producers identified, with complete contact information, in the Petition. The quantity and value data received from these exporters/producers will be used as the basis to select the mandatory respondents. The

[1] The identity of Company A is proprietary information; further discussion of Company A is available in the initiation checklist. *See* PRC Initiation Checklist.

Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rate application by the respective deadlines in order to receive consideration for separate-rate status. *See Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 73 FR 10221, 10225 (February 26, 2008); and *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005). Attachment I of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters/producers no later than May 14, 2008. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the Import Administration Web site, at *http://ia.ita.doc.gov/ia-highlights-and-news.html*. The Department will send the quantity and value questionnaire to those PRC companies identified, with complete contact information, in the Petition, Volume I, at Exhibit 6a, and in the Supp. PRC AD Response, at Supp-1.

Separate Rates

In order to obtain separate-rate status in NME investigations, exporters and producers must submit a separate-rate status application. *See* Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (April 5, 2005) (''Separate Rates/Combination Rates Bulletin''), available on the Department's Web site at *http://ia.ita.doc.gov/policy/bull05-1.pdf*. The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, available on the Department's Web site at *http://ia.ita.doc.gov/ia-highlights-and-news.html* on the date of publication of this initiation notice in the **Federal Register**. The separate-rate application will be due 60 days from publication of this notice.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The Separate Rates/Combination Rates Bulletin 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.

See Separate Rates/Combination Rates Bulletin, at 6.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), copies of the public version of the Petition have been provided to the representatives of the Governments of Korea and the PRC. Because of the particularly large number of producers/exporters identified in the Petition, the Department considers the service of the public version of the Petition to the foreign producers/exporters satisfied by the delivery of the public version to the Governments of Korea and the PRC, consistent with 19 CFR 351.203(c)(2).

International Trade Commission Notification

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

Preliminary Determinations by the International Trade Commission

The ITC will preliminarily determine, no later than May 19, 2008, whether there is a reasonable indication that imports of welded line pipe from Korea and the PRC are materially injuring, or threatening material injury to, a U.S. industry. A negative ITC determination with respect to either of the investigations will result in that investigation being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: April 23, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

Attachment I

Where it is not practicable to examine all known producers/exporters of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930 (as amended) permits us to investigate 1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or 2) exporters and producers accounting for the largest volume and value of the subject merchandise that can reasonably be examined.

In the chart below, please provide the total quantity and total value of all of your sales of merchandise covered by the scope of this investigation (see attachment II of this document), produced in the PRC, and exported/shipped to the United States during the period October 1, 2007 through March 31, 2008.

Market	Total quantity	Terms of sale	Total value
United States			
1. Export Price Sales.			
2. a. Exporter name. b. Address. c. Contact. d. Phone No. e. Fax No.			
3. Constructed Export Price Sales.			

Market	Total quantity	Terms of sale	Total value
4. Further Manufactured Sales.			
Total Sales.			

Because the scope of this investigation may include certain merchandise potentially subject to the on-going antidumping and countervailing duty investigations of circular welded pipe, we also request that you identify, in the chart below, the total quantity and total value that was reported in the above chart for sales of the following merchandise:

Pipe multiple-stenciled to a standard and/or structural specification and to any other specification, such as the American Petroleum Institute (''API'') API–5L specification, when it meets the physical description set forth in the scope description in the circular welded pipe cases (*see Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Notice of Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination*, 73 FR 2445 (January 15, 2008)) and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish.

Market	Total quantity	Terms of sale	Total value
United States			
1. Export Price Sales.			
2. a. Exporter name. b. Address. c. Contact. d. Phone No. e. Fax No.			
3. Constructed Export Price Sales.			
4. Further Manufactured Sales.			
Total Sales.			

Total Quantity:

• Please report quantity on a metric ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

• Please report all sales on the same terms (*e.g.*, free on board—port of export).

Total Value:

• All sales values should be reported in U.S. dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

• Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated person occurs before importation into the United States.

• Please include any sales exported by your company directly to the United States.

• Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

• If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

• Please do not include any sales of merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

• Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated person occurs after importation. However, if the first sale to the unaffiliated person is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.

• Please include any sales exported by your company directly to the United States.

• Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

• If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

• Please do not include any sales of merchandise manufactured in Hong Kong in your figures.

Further Manufactured Sales:

• Sales of further manufactured or assembled (including re-packaged) merchandise are sales of merchandise that undergoes further manufacture or assembly in the United States before being sold to the first unaffiliated customer.

• Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.

[FR Doc. E8–9361 Filed 4–28–08; 8:45 am]

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APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Certain Circular Welded Carbon Quality Steel Line Pipe From China and Korea
Inv. Nos.: 701-TA-455 and 731-TA-1149-1150 (Preliminary)
Date and Time: April 24, 2008 - 9:30 a.m.

The conference in connection with these investigations was held in the Main Hearing Room (room 101), 500 E Street, SW, Washington, DC

OPENING REMARKS:

Petitioners (**Alan H. Price**, Wiley Rein LLP)
Respondents (**Donald B. Cameron**, Troutman Sanders LLP)

In Support of the Imposition of Countervailing and Antidumping Duties

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, DC
on behalf of

United States Steel Corporation

George H. Thompson, General Manager–Commercial, Tubular Products, U.S. Steel Tubular Products, Inc.
Mark Tinne, Regional Sales Manager–Gulf Coast, U.S. Steel Tubular Products, Inc.
William D. Bartos, Manager–Standard and Line Pipe Marketing, U.S. Steel Tubular Products, Inc.
James R. Massimino, General Manager–Metallurgy and Quality Assurance, U.S. Steel Tubular Products, Inc.
Linda Andros, Legislative Representative on Trade, United Steel Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC
Seth T. Kaplan, The Brattle Group

Robert E. Lighthizer
John J. Mangan
James C. Hecht
Stephen P. Vaughn
– OF COUNSEL

In Support of the Imposition of Countervailing and Antidumping Duties – *Continued*

Wiley Rein LLP
Washington, DC
on behalf of

Maverick Tube Corporation

Roland Balkenende, President, Tenaris Global Services USA (sales office of Maverick Tube Corporation)
Robert Avera, Sales Director for Line Pipe Distribution, Tenaris Global Service USA (sales office of Maverick Tube Corporation)

Alan H. Price)
Robert E. DeFrancesco) – OF COUNSEL

Schagrin Associates
Washington, DC
on behalf of

Tex-Tube Company

Rusty Fisher, Vice President of Line Pipe Sales, Tubular Synergy Group
Raymond Davila, Vice President, Tex-Tube Company

Roger B. Schagrin) – OF COUNSEL

In Opposition to the Imposition of Countervailing and Antidumping Duties

Troutman Sanders LLP
Washington, DC
on behalf of

SeAH Steel Corporation
Husteel Co., Ltd.
Hundai HYSCO

Sung Heum Byun, General Manager, Hyundai Corporation USA

Donald B. Cameron)
Julie C. Mendoza) – OF COUNSEL

Closing Remarks

Petitioners (**Stephen P. Vaughn**, Skadden, Arps, Slate, Meagher & Flom LLP
Roger B. Schagrin, Schagrin Associates)

Respondents (**Donald B. Cameron**, Troutman Sanders LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Line pipe: Summary data concerning the U.S. market, 2005-07

(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		
Item	2005	2006	2007	2005-07	2005-06	2006-07
U.S. consumption quantity:						
Amount	872,606	1,403,335	1,375,726	57.7	60.8	-2.0
Producers' share (1)	59.9	49.5	52.9	-7.1	-10.5	3.4
Importers' share (1):						
China	3.2	16.0	20.4	17.2	12.8	4.4
Korea	10.1	13.3	13.0	2.9	3.2	-0.3
Subtotal	13.2	29.3	33.4	20.1	16.0	4.1
All other sources	26.8	21.3	13.8	-13.0	-5.5	-7.5
Total imports	40.1	50.5	47.1	7.1	10.5	-3.4
U.S. consumption value:						
Amount	780,174	1,212,303	1,226,993	57.3	55.4	1.2
Producers' share (1)	65.1	57.3	61.8	-3.3	-7.8	4.5
Importers' share (1):						
China	2.5	11.3	14.8	12.3	8.9	3.4
Korea	8.6	10.5	10.8	2.2	1.8	0.4
Subtotal	11.1	21.8	25.6	14.5	10.7	3.8
All other sources	23.8	20.9	12.7	-11.2	-2.9	-8.3
Total imports	34.9	42.7	38.2	3.3	7.8	-4.5
U.S. imports from:						
China:						
Quantity	27,673	224,357	280,820	914.8	710.7	25.2
Value	19,191	137,547	181,357	845.0	616.7	31.9
Unit value	$693	$613	$646	-6.9	-11.6	5.3
Ending inventory quantity	*****	*****	*****	*****	*****	*****
Korea:						
Quantity	87,923	186,285	178,177	102.7	111.9	-4.4
Value	67,417	126,705	132,660	96.8	87.9	4.7
Unit value	$767	$680	$745	-2.9	-11.3	9.5
Ending inventory quantity	*****	*****	*****	*****	*****	*****
Subtotal:						
Quantity	115,596	410,642	458,997	297.1	255.2	11.8
Value	86,608	264,252	314,017	262.6	205.1	18.8
Unit value	$749	$644	$684	-8.7	-14.1	6.3
Ending inventory quantity	*****	*****	*****	*****	*****	*****
All other sources:						
Quantity	234,044	298,681	189,544	-19.0	27.6	-36.5
Value	185,863	253,886	155,275	-16.5	36.6	-38.8
Unit value	$794	$850	$819	3.2	7.0	-3.6
Ending inventory quantity	*****	*****	*****	*****	*****	*****
All sources:						
Quantity	349,640	709,323	648,541	85.5	102.9	-8.6
Value	272,471	518,138	469,292	72.2	90.2	-9.4
Unit value	$779	$730	$724	-7.1	-6.3	-0.9
Ending inventory quantity	*****	*****	*****	*****	*****	*****

Table continued on next page.

Table C-1--Continued
Line pipe: Summary data concerning the U.S. market, 2005-07

(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		
Item	2005	2006	2007	2005-07	2005-06	2006-07
U.S. producers':						
Average capacity quantity	909,237	947,056	1,028,983	13.2	4.2	8.7
Production quantity	570,077	749,202	769,607	35.0	31.4	2.7
Capacity utilization (1)	62.7	79.1	74.8	12.1	16.4	-4.3
U.S. shipments:						
Quantity	522,966	694,012	727,185	39.1	32.7	4.8
Value	507,703	694,165	757,701	49.2	36.7	9.2
Unit value	$971	$1,000	$1,042	7.3	3.0	4.2
Export shipments:						
Quantity	60,968	50,293	16,401	-73.1	-17.5	-67.4
Value	61,653	53,030	16,634	-73.0	-14.0	-68.6
Unit value	$1,011	$1,054	$1,014	0.3	4.3	-3.8
Ending inventory quantity	44,254	49,637	78,920	78.3	12.2	59.0
Inventories/total shipments (1)	7.6	6.7	10.6	3.0	-0.9	3.9
Production workers	780	929	1,037	32.9	19.1	11.6
Hours worked (1,000s)	1,493	1,889	2,086	39.8	26.5	10.5
Wages paid ($1,000s)	33,906	43,183	48,945	44.4	27.4	13.3
Hourly wages	$22.71	$22.86	$23.46	3.3	0.7	2.6
Productivity (tons/1,000 hours)	381.9	396.7	368.9	-3.4	3.9	-7.0
Unit labor costs	$59.48	$57.64	$63.60	6.9	-3.1	10.3
Net sales:						
Quantity	591,129	748,071	745,656	26.1	26.5	-0.3
Value	577,774	753,061	777,099	34.5	30.3	3.2
Unit value	$977	$1,007	$1,042	6.6	3.0	3.5
Cost of goods sold (COGS)	460,995	576,253	668,704	45.1	25.0	16.0
Gross profit or (loss)	116,779	176,808	108,395	-7.2	51.4	-38.7
SG&A expenses	23,372	34,561	37,032	58.4	47.9	7.1
Operating income or (loss)	93,407	142,247	71,363	-23.6	52.3	-49.8
Capital expenditures	7,500	13,729	10,384	38.5	83.1	-24.4
Unit COGS	$780	$770	$897	15.0	-1.2	16.4
Unit SG&A expenses	$40	$46	$50	25.6	16.9	7.5
Unit operating income or (loss)	$158	$190	$96	-39.4	20.3	-49.7
COGS/sales (1)	79.8	76.5	86.1	6.3	-3.3	9.5
Operating income or (loss)/ sales (1)	16.2	18.9	9.2	-7.0	2.7	-9.7

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) 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

PRICE DATA FOR NONSUBJECT COUNTRIES

Table D-1
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 1, imported from nonsubject countries, 2005-07

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Table D-2
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 2, imported from nonsubject countries, 2005-07

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Table D-3
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 3, imported from nonsubject countries, 2005-07

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Table D-4
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 4, imported from nonsubject countries, 2005-07

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APPENDIX E

ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2005, 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 line pipe from China and Korea. Their responses are as follows:

Actual Negative Effects

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Anticipated Negative Effects

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