

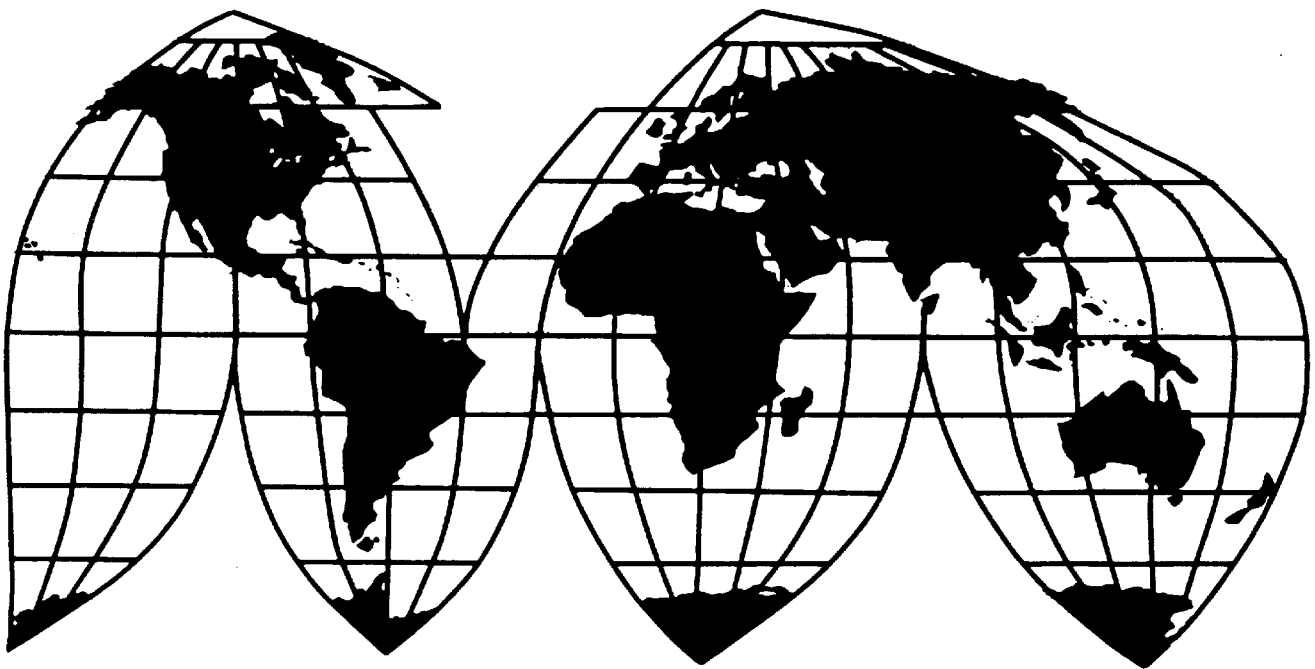
# **Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From Argentina, Brazil, and Germany**

Investigation Nos. 731-TA-707-709 (Second Review)

**Publication 3918**

**May 2007**

**U.S. International Trade Commission**



# U.S. International Trade Commission

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# U.S. International Trade Commission

Washington, DC 20436

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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





## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 731-TA-707-709 (Second Review)

### *CERTAIN SEAMLESS CARBON AND ALLOY STEEL STANDARD, LINE, AND PRESSURE PIPE FROM ARGENTINA, BRAZIL, AND GERMANY*

#### **DETERMINATION**

On the basis of the record<sup>1</sup> developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure pipe from Argentina and Brazil would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>2</sup> The Commission also determines that revocation of the antidumping duty order on certain seamless carbon and alloy steel standard, line, and pressure pipe from Germany would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>3</sup>

#### **BACKGROUND**

The Commission instituted these reviews on June 1, 2006 (71 F.R. 31209) and determined on September 5, 2006 that it would conduct full reviews (71 F.R. 54520, September 15, 2006). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on September 29, 2006 (71 F.R. 57567). The hearing was held in Washington, DC, on February 8, 2007, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

<sup>2</sup> Commissioner Charlotte R. Lane dissenting, Commissioner Dean A. Pinkert not participating.

<sup>3</sup> Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun dissenting, Commissioner Dean A. Pinkert not participating.



## VIEWS OF THE COMMISSION

Based on the record in these second five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line and pressure pipe (“seamless SLP pipe”) from Argentina and Brazil would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>1</sup> We further determine that revocation of the antidumping duty order on seamless SLP pipe from Germany would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>2</sup>

### I. BACKGROUND

In July 1995, the Commission found that an industry in the United States was materially injured by reason of less than fair value (“LTFV”) imports of seamless SLP pipe from Argentina, Brazil and Germany, as well as LTFV and subsidized imports from Italy.<sup>3</sup> The Department of Commerce (“Commerce”) issued the antidumping duty orders on August 3, 1995,<sup>4</sup> and the countervailing duty order on Italy effective August 9, 1995.<sup>5</sup> The Commission’s original determinations were not appealed.

On July 3, 2000, the Commission instituted reviews pursuant to section 751(c) of the Act to determine whether revocation of the countervailing and antidumping duty orders on imports of seamless SLP pipe from Argentina, Brazil, Germany, and Italy would likely lead to continuation or recurrence of material injury to a domestic industry. On October 5, 2000, the Commission determined to conduct full reviews of the orders. In June 2001, the Commission made an affirmative determination in all reviews except those pertaining to Italy.<sup>6</sup>

Siderca, S.A.I.C. (“Siderca”), a producer of seamless SLP pipe in Argentina, appealed the first review determination pertaining to the order on imports from Argentina. The Court of International Trade

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<sup>1</sup> Commissioner Lane dissenting. See Dissenting Views of Commissioner Charlotte R. Lane. She joins sections I - II of these views. Commissioner Pinkert not participating.

<sup>2</sup> Chairman Pearson and Commissioner Okun dissenting. See Additional and Dissenting Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun. They join sections I - IV.E. of these views. Commissioner Pinkert not participating.

<sup>3</sup> Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 & 731-TA-707-710 (Final), USITC Pub. 2910 (July 1995) (“Original Determinations”).

<sup>4</sup> 60 Fed. Reg. 39,704, 39,705, 39,707, and 39,708 (Aug. 3, 1995).

<sup>5</sup> 60 Fed. Reg. 40,569 (Aug. 9, 1995).

<sup>6</sup> The Commission determined that revocation of the antidumping and countervailing duty orders on seamless SLP pipe from Italy would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 & 731-TA-707-710 (Review), USITC Pub. 3429 (June 2001), at 3 (“First Review Determinations”). Commerce consequently revoked the orders on seamless SLP pipe from Italy.

sustained the Commission's affirmative determination in part and remanded it in part.<sup>7</sup> The Court upheld the Commission's affirmative remand determination.<sup>8</sup>

The Commission instituted these second reviews of the remaining orders on seamless SLP pipe on June 1, 2006. The Commission found that the domestic interested party group response to the notice of institution for each review was adequate and that the Argentine respondent interested party group was adequate; it determined to conduct a full review with respect to the order on seamless SLP pipe from Argentina. The Commission received no responses from any respondent interested party regarding the order on subject imports from Brazil and therefore determined that the Brazilian respondent interested party group response to the notice of institution was inadequate. With regard to the review of the order on subject imports from Germany, the Commission received an individually adequate joint response from Benteler Stahl/Rohr GmbH ("Benteler"), a German producer and exporter of the subject merchandise, and Benteler Steel and Tube Corporation, a U.S. importer.<sup>9</sup> Because Benteler accounts for \*\*\* of production of subject merchandise in Germany, the Commission determined that the German respondent interested party group response to the notice of institution was inadequate.<sup>10</sup> Notwithstanding its determinations that the respondent interested party group responses with respect to Brazil and Germany were inadequate, the Commission determined to conduct full reviews with respect to all the orders in order to promote administrative efficiency in light of its decision to conduct a full review with respect to the order on seamless SLP pipe from Argentina.<sup>11</sup>

In these reviews, the Commission received usable data from Siderca, the only known producer of seamless SLP pipe in Argentina, from V&M do Brasil, S.A. ("V&M Brazil"), the only producer of the subject product in Brazil, and from the three known producers of the subject merchandise in Germany: Benteler, Rohrwerk Neue Maxhuetten GmbH ("Rohrwerk") and V&M Deutschland GmbH ("VMD"). Thus, our coverage with respect to all subject industries is complete. Siderca, Benteler and Benteler Steel and Tube Corporation also filed briefs and appeared at the Commission's hearing, as did the domestic producers United States Steel Corporation ("U.S. Steel") and IPSCO Koppel Tubulars Corporation ("Koppel"). We have made our determinations based on the evidence in the record from the Commission's original investigations and first reviews, and the information submitted by parties and collected by the Commission since the institution of these reviews.

Seamless SLP pipe (4.5 inches or less in outside diameter) was the subject of a separate set of antidumping duty investigations in 2000. Orders were imposed on seamless SLP pipe from the Czech Republic, Japan, Romania, and South Africa.<sup>12</sup> The orders on the Czech Republic and South Africa were

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<sup>7</sup> The CIT remanded the determination for clarification and further analysis on several issues. Siderca, S.A.I.C. v. United States, 350 F. Supp. 2d 1223, 1243 (Ct. Int'l Trade 2004).

<sup>8</sup> Siderca, S.A.I.C. v. United States, 374 F. Supp. 2d 1285 (Ct. Int'l Trade 2005). Then Vice Chairman Okun and Commissioner Pearson dissented.

<sup>9</sup> Benteler is not an importer of the subject merchandise. Explanation of Commission Determinations on Adequacy, Confidential Staff Report ("CR")/Public Staff Report ("PR") CR/PR at App. A.

<sup>10</sup> Commissioners Okun and Lane determined that the respondent interested party group response with respect to Germany was adequate.

<sup>11</sup> See Confidential Staff Report ("CR")/Public Staff Report ("PR") at App. A. All citations to the staff report in these views refer to memorandum INV-EE-026 (Mar. 12, 2007), as revised by memorandum INV-EE-027 (Mar. 13, 2007).

<sup>12</sup> 65 Fed. Reg. 39,360 (June 26, 2000); 65 Fed. Reg. 48,963 (Aug. 10, 2000); 65 Fed. Reg. 49,539 (Aug. 14, 2000); 65 Fed. Reg. 49,227 (Aug. 11, 2000). See Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Japan and South Africa, Inv. Nos. 731-TA-847 and 850 (Final), USITC Pub. 3311 (June 2000); Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, Mexico, and

(continued...)

revoked in 2006 as a result of the Commission's negative determinations in the five-year reviews of those orders.<sup>13</sup>

## II. DOMESTIC LIKE PRODUCT AND INDUSTRY

### A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”<sup>14</sup> 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.”<sup>15</sup> The Commission's practice in five-year reviews is to look to the like product definition from the original determination and any previous reviews and consider whether the record indicates any reason to revisit that definition.<sup>16</sup>

Commerce in its expedited five-year reviews defined the scope of merchandise covered by the orders on seamless pipe as:

The products covered by the orders are seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the API 5L specifications and meeting the physical parameters described below, regardless of application. The scope of the orders also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification.

Specifically included within the scope of the orders are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside diameter, regardless of wall-thickness, manufacturing process (hot finished or cold-drawn), end finish (plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish.

The seamless pipes subject to the orders are currently classifiable under the subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.30.00, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00,

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<sup>12</sup> (...continued)

Romania, Inv. Nos. 731-TA-846, 848 and 849 (Final), USITC Pub. 3325 (Aug. 2000).

<sup>13</sup> 71 Fed. Reg. 27,463 (May 11, 2006). See Carbon and Alloy Seamless Standard, Line, and Pressure Pipe From the Czech Republic, Japan, Mexico, Romania, and South Africa, Inv. Nos. 731-TA-846-850 (Review), USITC Pub. 3850 (Apr. 2006).

<sup>14</sup> 19 U.S.C. § 1677(4)(A).

<sup>15</sup> 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>16</sup> See Stainless Steel Sheet and Strip from France, Germany, Italy, Japan, Korea, Mexico, Taiwan and the United Kingdom, Inv. Nos. 701-TA-381-382 (Review) and 731-TA-797-804 (Review), USITC Pub. 3788 at 6 (July 2005); Crawfish Tail Meat from China, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 (July 2003) at 4; Steel Concrete Reinforcing Bar from Turkey, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 (Feb. 2003) at 4.

7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>17</sup>

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<sup>17</sup> 71 Fed. Reg. 59,079 (Oct. 6, 2006). The notice describes the specifications, characteristics and uses of seamless SLP pipe as follows.

Seamless pressure pipes are intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gases in industrial piping systems. They may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the ASTM A-106 standard may be used in temperatures of up to 1000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106. Seamless pressure pipes sold in the United States are commonly produced to the ASTM A-106 standard.

Seamless standard pipes are most commonly produced to the ASTM A-53 specification and generally are not intended for high temperature service. They are intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperatures but must not exceed relevant ASME code requirements. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

Seamless line pipes are intended for the conveyance of oil and natural gas or other fluids in pipelines. Seamless line pipes are produced to the API 5L specification.

Seamless water well pipe (ASTM A-589) and seamless galvanized pipe for fire protection uses (ASTM A-795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53, API 5L-B, and API 5L-X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers. The primary application of ASTM A-106 pressure pipes and triple or quadruple certified pipes is use in pressure piping systems by refineries, petrochemical plants, and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear), and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. A minor application of this product is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A-106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/ hydrostatic testing or other methods to enable the material to be sold under ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications.

The scope of the orders includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, with the exception of the specific exclusions discussed below, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of the orders. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications shall be covered if used in a standard, line, or pressure application, with the exception of the specific exclusions discussed below. For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A-106 applications. These specifications generally include ASTM A-161, ASTM A-192, ASTM A-210, ASTM A-252, ASTM A-501, ASTM A-523, ASTM A-524, and ASTM A-618. When such pipes are used in a standard, line, or pressure pipe application, with the exception of the specific exclusions discussed below, such products are covered by the scope of the orders.

(continued...)

Notwithstanding the fact that the scope language quoted above includes redraw hollows and the HTS subheading that contains them (7304.31.30.00), the actual scope of these reviews does not include redraw hollows due to an amendment made by Commerce in the context of the first reviews.<sup>18</sup> Further, the scope in these second reviews differs somewhat from the scope in the original investigations because Commerce issued a scope ruling on June 25, 1999, excluding from the antidumping duty order on subject imports from Germany tubing with a circular cross-section and an outside diameter that varies from 0.05 mm to 25 mm.<sup>19</sup> Finally, as a result of a changed circumstances review, glass-lined pressure pipes are excluded from the scope of the order on subject imports from Brazil.<sup>20</sup>

In the original investigations, the Commission found a single like product consisting of circular seamless carbon and alloy steel standard, line and pressure pipe and tubes not more than 4.5 inches in outside diameter, and including redraw hollows.<sup>21</sup> In the first reviews, the Commission again defined a single like product consisting of all seamless carbon and alloy steel standard, line and pressure pipe and tubes not more than 4.5 inches in outside diameter, including redraw hollows.<sup>22</sup> It noted that it included redraw hollows, which were included in the like product in the original investigations, as no party argued that they should not be included and no information had been elicited during the reviews to indicate that they should not be part of the domestic like product.<sup>23</sup>

Similarly, in these second reviews, no party has argued for a different definition of the domestic like product from that employed in the original investigations and the first reviews. In particular, no party has argued that redraw hollows should not be included.<sup>24</sup> Nor has the Commission obtained any information during these reviews indicating that they should not be part of the domestic like product. Accordingly, we define a single domestic like product: all seamless carbon and alloy steel standard, line and pressure pipe and tubes not more than 4.5 inches in outside diameter, including redraw hollows.

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<sup>17</sup> (...continued)

Specifically excluded from the scope of the orders are boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished oil country tubular goods (OCTG) are excluded from the scope of the orders, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.

71 Fed. Reg. at 59,080. Two subheadings have been changed: 7304.10.10.20 is now 7304.19.10.20, and 7304.10.50.20 is now 7304.90.50.20. See CR at I-22 n.44, PR at I-19 n.44.

<sup>18</sup> CR/PR at App. E.

<sup>19</sup> 65 Fed. Reg. 41,957 (July 7, 2000).

<sup>20</sup> 63 Fed. Reg. 37,338 (July 10, 1998).

<sup>21</sup> Original Determinations at I-6 - I-7.

<sup>22</sup> First Review Determinations at I-6.

<sup>23</sup> First Review Determinations at 8 n.34.

<sup>24</sup> Domestic Industry's Response to Notice of Institution at 24; Siderca's Response to Notice of Institution at 9; Benteler's Response to Notice of Institution at 9.

## B. Domestic Industry and Related Parties

Section 771(4)(A) of the Act defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>25</sup> Current domestic producers are Koppel, Sharon Tube Co. (“Sharon Tube”), The Timken Co. (“Timken”), and U.S. Steel. These four companies are believed to represent the vast majority of the production of seamless SLP pipe in the United States during the period for which data were collected.<sup>26</sup>

In the original investigations and first reviews, the Commission found the domestic industry to consist of the domestic producers of seamless carbon and alloy steel standard, line and pressure pipes and tubes not more than 4.5 inches in outside diameter, as well as all redraw hollows.<sup>27</sup> In these second reviews, the parties do not argue for a new definition of the domestic industry and there is no new information on the record to indicate that the Commission should revisit its previous definition of the domestic industry. Thus, in accordance with our like product determination, we determine that the domestic industry consists of all U.S. producers of seamless carbon and alloy steel standard, line and pressure pipes and tubes not more than 4.5 inches in outside diameter, including redraw hollows.<sup>28 29</sup>

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<sup>25</sup> 19 U.S.C. § 1677(4)(A). 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, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int’l Trade 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

<sup>26</sup> CR at I-32 - I-33, PR at I-26 - I-27.

<sup>27</sup> First Review Determinations at 10.

<sup>28</sup> No party has advocated the exclusion of any domestic producer as a related party. One domestic producer, \*\*\*, purchased redraw hollows from \*\*\* during the period of review. \*\*\* purchased nonsubject merchandise, i.e. redraw hollows, from \*\*\* throughout the period of review in the following quantities: \*\*\* short tons in 2001, \*\*\* short tons in 2002, \*\*\* short tons in 2003, \*\*\* short tons in 2004, and \*\*\* short tons in 2005. CR at III-7 n.12, PR III-3 n.12; \*\*\* Producer Questionnaire at section II. In the original investigations and first reviews, \*\*\* purchased subject merchandise, yet the Commission did not exclude it from the domestic industry in either instance. Original Determinations at I-14 - I-15, Original Views (confidential) at 19-21; First Review Determinations at 9; First Reviews Views (confidential) at 11. Regardless of whether \*\*\* is a related party, we find that appropriate circumstances do not exist to exclude that producer from the domestic industry. \*\*\* reported that it purchased redraw hollows imported from \*\*\* because it “ ‘could not buy all sizes from domestic sources and that imported material was lower cost.’ ” CR III-7 n.12, PR III-3 n.12. \*\*\* profits during the period of review were not meaningfully different from the industry as a whole. See CR/PR at Table III-8. Additionally, \*\*\* is a relatively small producer of the subject product and accounted for only \*\*\* percent of domestic production. CR/PR at Table I-7. We do not find that \*\*\* has benefitted from LTFV sales or that its imports have otherwise shielded its production operations. Including \*\*\* would not skew the data for the rest of the domestic industry. Therefore, we find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry.

<sup>29</sup> Consistent with her practice in past investigations and reviews, Vice Chairman Aranoff does not rely on individual-company income margins in assessing whether a related party has benefitted from importation of subject merchandise. Rather, she determines whether to exclude a related party based principally on its ratio of subject imports to domestic shipments and whether its primary interests lie in domestic production or importation.



### III. CUMULATION OF SUBJECT IMPORTS OF SEAMLESS SLP PIPE FROM ARGENTINA, BRAZIL AND GERMANY<sup>30</sup>

#### A. Overview

Section 752(a) of the Act provides that:

the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.<sup>31</sup>

Cumulation is therefore discretionary in five-year reviews, unlike in the case of original investigations, which are governed by section 771(7)(G)(I) of the Act.<sup>32</sup> Because of the prospective nature of five-year reviews and the Commission's discretion with respect to cumulation, we consider significant conditions of competition that are likely to prevail with respect to each subject country if the orders under review are terminated.<sup>33</sup>

The Commission may exercise its discretion to cumulate, however, only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The Commission generally has considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.<sup>34</sup> Only a "reasonable overlap" of competition is

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<sup>30</sup> Chairman Pearson and Commissioner Okun note that while they consider the same issues discussed in this section in determining whether to exercise their discretion to cumulate the subject imports, their analytical framework begins with whether imports from the subject countries are likely to face similar conditions of competition. For those subject imports which are likely to compete under similar conditions of competition, they next proceed to consider whether those imports are likely to compete with each other and with the domestic like product. Finally, if based on that analysis they intend to exercise their discretion to cumulate one or more subject countries, they analyze whether they are precluded from cumulating such imports because the imports from one or more subject countries, assessed individually, are likely to have no discernible adverse impact on the domestic industry. See Stainless Steel Bar from Brazil, India, Japan, and Spain, Invs. Nos. 731-TA-678, 679, 681, and 682 (Second Review), USITC Pub. 3895 (Dec. 2006) (Additional and Dissenting Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun).

<sup>31</sup> 19 U.S.C. § 1675a(a)(7).

<sup>32</sup> 19 U.S.C. § 1677(7)(G)(I).

<sup>33</sup> See, e.g., Allegheny Ludlum Corp. v. United States, Slip Op. 06-188 at 17 (Ct. Int'l Trade Dec. 22, 2006) (recognizing the wide latitude the Commission has in selecting the type of factors it considers relevant in deciding whether to exercise discretion to cumulate subject imports in five-year reviews).

<sup>34</sup> The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the

(continued...)

required.<sup>35</sup> In five-year reviews, the relevant inquiry is whether there likely would be competition after revocation of the orders, even if none currently exists.

The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.<sup>36</sup> We note that neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.<sup>37</sup> With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.

In the original investigations and first review investigations, the Commission cumulated subject imports from Argentina, Brazil and Germany.<sup>38</sup> In these second reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied as all the reviews were initiated on June 1, 2006.<sup>39</sup>

## **B. Likelihood of No Discernible Adverse Impact**

We do not find that subject imports of seamless SLP pipe from Argentina, Brazil and Germany would likely have no discernible adverse impact on the domestic industry if the antidumping duty orders were revoked.

In these second reviews, all three countries produce subject product in substantial volumes.<sup>40</sup> The seamless SLP pipe industries in all three countries are not small in relation to the size of the U.S.

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<sup>34</sup> (...continued)

imports are simultaneously present in the market. 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 1988), aff’d, 859 F.2d 915 (Fed. Cir. 1988); Mukand Ltd. v. United States, 937 F. Supp. 910, 915 (Ct. Int’l Trade 1996).

<sup>35</sup> See Mukand, 937 F. Supp. at 916; Wieland Werke, AG v. United States, 718 F. Supp. 50, 52 (Ct. Int’l Trade 1989) (“Completely overlapping markets are not required.”); United States Steel Group, 873 F. Supp. at 685. We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 (Prelim.) and 731-TA-812-813 (Prelim.), USITC Pub. 3155 at 15 (Feb. 1999), aff’d, Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp. 2d 1353 (Ct. Int’l Trade 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-761-762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

<sup>36</sup> 19 U.S.C. § 1675a(a)(7).

<sup>37</sup> SAA, H.R. Rep. No. 103-316, vol. I (1994).

<sup>38</sup> In the original investigations, the Commission also cumulated subject imports from Italy.

<sup>39</sup> CR/PR at Table I-1.

<sup>40</sup> During the period of review, Argentina’s production of seamless SLP pipe was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-7. Brazil’s production of subject pipe was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany’s production of subject pipe was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-18. Similarly, at the time of the first reviews, each subject country produced substantial volumes of subject pipe. First Reviews Views (confidential) at 13-14.

market.<sup>41</sup> The industries in two of the countries, Brazil and Germany, have appreciable unused capacity.<sup>42</sup> All three countries also export subject product.<sup>43</sup> Two of them, Brazil and Germany, exported subject merchandise to the United States during the period of review,<sup>44</sup> although Argentina \*\*\*. Based on these factors, we do not find that subject imports from Argentina, Brazil or Germany would likely have no discernible adverse impact on the domestic industry if the orders were revoked.

### C. Likely Reasonable Overlap of Competition

With regard to likely overlap of competition, the relevant inquiry is whether there would likely be competition even if there are no current imports from a subject country.<sup>45</sup> Only a “reasonable overlap” of competition is required.<sup>46</sup> In the original investigations, the Commission cumulated subject imports from all subject countries, based on a reasonable overlap of competition.<sup>47</sup>

In these reviews, the record does not show any current or likely changes in the reasonably foreseeable future with respect to fungibility, channels of distribution, geographic markets or simultaneous presence from those found in the original investigations or first reviews.<sup>48</sup> Accordingly, we again find a reasonable overlap of competition in these five-year reviews.

### D. Other Considerations

Based on the record in these five-year reviews, we find that subject imports of seamless SLP pipe from Argentina, Brazil and Germany would all likely compete in the U.S. market under different

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<sup>41</sup> U.S. apparent consumption of seamless SLP pipe was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table I-11. Argentina’s capacity was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-7. Brazil’s capacity was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany’s capacity was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-18.

<sup>42</sup> Brazil’s capacity utilization was \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany’s capacity utilization was \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006. CR/PR at Table IV-18.

<sup>43</sup> Argentina’s seamless SLP pipe exports were \*\*\* short tons in 2005, \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-7. Brazil’s seamless SLP pipe exports were \*\*\* short tons in 2005, \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany’s seamless SLP pipe exports were \*\*\* short tons in 2005, \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-18.

<sup>44</sup> Brazil exported \*\*\* short tons of subject merchandise to the United States in 2002, \*\*\* short tons in 2003, \*\*\* short tons in 2004, and \*\*\* short tons in 2005. It exported \*\*\* short tons of subject merchandise to the United States in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany exported \*\*\* short tons of subject merchandise to the United States in 2001, \*\*\* short tons in 2002, \*\*\* short tons in 2003, \*\*\* short tons in 2004, and \*\*\* short tons in 2005. It exported \*\*\* short tons of subject merchandise to the United States in Jan.-Sept. 2006. CR/PR at Table IV-18.

<sup>45</sup> See generally Cheflene Corp. v. United States, 219 F. Supp. 2d 1313, 1314 (Ct. Int’l Trade 2002).

<sup>46</sup> See Mukand Ltd. v. United States, 937 F. Supp. 910, 917 (Ct. Int’l Trade 1996).

<sup>47</sup> Original Views (confidential) at 32-34.

<sup>48</sup> CR at II-1, PR at II-1 (channels of distribution), CR at II-28 - II-34, PR at II-19 - II-24 (fungibility); and CR/PR at Tables IV-3 (geographic markets), IV-4 (simultaneous presence).

conditions of competition. Thus, we decline to exercise our discretion to cumulate subject imports from any of these countries based on the following considerations.

*Argentina.* The sole Argentine producer, Siderca, operated at \*\*\* of capacity utilization throughout the period of review and had \*\*\* less excess capacity than the industries in Brazil or Germany.<sup>49</sup> Siderca's capacity utilization was \*\*\* percent in 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>50</sup> In contrast, V&M Brazil's capacity utilization was \*\*\* percent in 2005 and \*\*\* percent in Jan.-Sept. 2006;<sup>51</sup> the German producers' capacity utilization was \*\*\* percent in 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>52</sup> Siderca experienced \*\*\* declines in production capacity over the period of review,<sup>53</sup> resulting in an industry \*\*\* smaller than during the time of the original investigations and one that, unlike the industries in Brazil and Germany, does not project any increased capacity between 2006 and 2007.<sup>54</sup> Siderca's capacity to produce subject pipe was \*\*\* smaller than that of the German producers throughout the period of review. The German producers' capacity to manufacture subject pipe was \*\*\* short tons between 2001 and 2005,<sup>55</sup> whereas Siderca's capacity was between \*\*\* short tons and \*\*\* short tons.<sup>56</sup> The industry in Argentina is more export oriented than that in Brazil or Germany.<sup>57</sup> Argentina was the only one of the three countries that exported \*\*\* subject product to the United States during the period of review.<sup>58</sup>

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<sup>49</sup> Argentina's capacity utilization was \*\*\* percent in 2001, \*\*\* percent in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. CR/PR at Table IV-7. Brazil's capacity utilization was \*\*\* percent in 2001, \*\*\* percent in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. CR/PR at Table IV-12. Germany's capacity utilization was \*\*\* percent in 2001, \*\*\* percent in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. CR/PR at Table IV-18.

Argentina's excess of capacity over production was \*\*\* short tons in 2005, \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-7. By contrast, Brazil's excess capacity was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-12. Germany's excess capacity was \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table IV-18.

<sup>50</sup> CR/PR at Table IV-7.

<sup>51</sup> CR/PR at Table IV-12.

<sup>52</sup> CR/PR at Table IV-18.

<sup>53</sup> Argentina's capacity to manufacture seamless SLP pipe remained steady at \*\*\* short tons between 1992 and 1994, Original Staff Report at I-63, and declined from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. CR/PR at Table IV-7. Brazil's capacity was \*\*\* short tons in 1994, Original Staff Report at I-65, and \*\*\* short tons in 2005 (although it declined from \*\*\* short tons in 2001). CR/PR at Table IV-12. As discussed below, while data for the industry in Germany was not complete in the original investigations and first reviews, that industry appears to have grown at least since the first reviews.

<sup>54</sup> Compare CR/PR at Table IV-8 with CR/PR at Tables IV-13, IV-19.

<sup>55</sup> CR/PR at Table IV-18.

<sup>56</sup> CR/PR at Table IV-7.

<sup>57</sup> Argentina's subject pipe exports represented \*\*\* percent of its total shipments in 2005, CR/PR at Table IV-7, while Brazil's subject pipe exports represented \*\*\* percent of its total shipments in that year, CR/PR at Table IV-12, and Germany's subject pipe exports represented \*\*\* percent of its total shipments in that year. CR/PR at Table IV-18. In Jan.-Sept. 2006, Argentina's subject pipe exports represented \*\*\* percent of its total shipments, CR/PR at Table IV-7, while Brazil's subject pipe exports represented \*\*\* percent of its total shipments during that period, CR/PR at Table IV-12, and Germany's subject pipe exports represented \*\*\* percent of its total shipments during that period. CR/PR at Table IV-18.

<sup>58</sup> Compare CR/PR at Table IV-7 with CR/PR at Tables IV-12 & IV-18.

*Brazil.* The industry in Brazil is significantly more focused on its home market now than it was during the original period of investigation and is more focused on its home market than the industries in Argentina or Germany. During the original investigations \*\*\* percent of the Brazilian industry's total shipments were to its home market,<sup>59</sup> while in 2005 \*\*\* percent of the industry's total shipments were to its home market;<sup>60</sup> the share of home market shipments to total shipments was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>61</sup> By contrast, the Argentine and German industries shipped \*\*\* percent<sup>62</sup> and \*\*\* percent,<sup>63</sup> respectively, of total shipments to their home markets in 2005, and \*\*\* percent<sup>64</sup> and \*\*\* percent,<sup>65</sup> respectively, in Jan.-Sept. 2006. The \*\*\* majority of Brazil's shipments are to its home market or its regional Latin American market. In contrast, the industries in Argentina and Germany reported meaningful volumes of exports outside their home and regional markets.<sup>66</sup> Unlike the industries in Argentina and Germany, the size of the industry in Brazil has remained generally stable since the time of the original investigations. The Brazilian industry reported production capacity of \*\*\* short tons in 1994,<sup>67</sup> \*\*\* short tons in 2000<sup>68</sup> and \*\*\* short tons in 2005.<sup>69</sup>

*Germany.* Germany's seamless SLP pipe industry is \*\*\* larger than those of the two other countries; in fact, it is larger than \*\*\*.<sup>70</sup> The total production capacity of the industry in Germany has grown since the time of the original investigations.<sup>71</sup> Moreover, the capacity of the industry in Germany is projected to grow further in the near future.<sup>72</sup> In absolute terms, German producers' unused capacity is

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<sup>59</sup> Original Staff Report at I-65.

<sup>60</sup> CR/PR at Table IV-12.

<sup>61</sup> CR/PR at Table IV-12.

<sup>62</sup> CR/PR at Table IV-7.

<sup>63</sup> CR/PR at Table IV-18.

<sup>64</sup> CR/PR at Table IV-7.

<sup>65</sup> CR/PR at Table IV-18.

<sup>66</sup> CR/PR at Tables IV-7, IV-12 & IV-18, CR at IV-22 n.21, PR at IV-14 n.21.

<sup>67</sup> Original Staff Report at I-65.

<sup>68</sup> First Reviews Staff Report at Table IV-5.

<sup>69</sup> CR/PR at Table IV-12.

<sup>70</sup> Germany's capacity to produce subject pipe was \*\*\* short tons in 2005. CR/PR at Table IV-18. Argentina's capacity to produce subject pipe was \*\*\* short tons in 2005, CR/PR at Table IV-7, and Brazil's capacity was \*\*\* short tons in that year. CR/PR at Table IV-12.

<sup>71</sup> During the original investigations, the German industry reported total production capacity in each year of \*\*\* short tons. Original Staff Report at I-67. While coverage for the German industry was not complete in the original investigations, this reported capacity is that of Mannesmannroehren-Werke, the predecessor to VMD, which accounted for a large majority of German production in both the first five-year reviews and the current reviews. Original Staff Report at I-66, First Reviews Staff Report at IV-12.

<sup>72</sup> Germany's capacity to produce subject pipe is projected to grow from \*\*\* short tons in 2005 to \*\*\* short tons in 2006, then to \*\*\* short tons in 2007. CR/PR at Table IV-19.

\*\*\* higher than that of producers in the two other countries.<sup>73</sup> Unlike the other subject countries, there have been subject imports from Germany in every year since the orders were imposed.<sup>74</sup>

Based on these differences among the three countries, we find that subject imports from each country are likely to compete in the U.S. market under different conditions of competition if the orders are revoked. Therefore, we decline to exercise our discretion to cumulate subject imports from any of these countries.

#### **IV. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS OF SEAMLESS SLP PIPE FROM ARGENTINA, BRAZIL AND GERMANY IF THE ANTIDUMPING DUTY ORDERS ARE REVOKED**

##### **A. Legal Standard**

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur, and (2) the Commission makes a determination that revocation of the antidumping duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>75</sup> The SAA states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of

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<sup>73</sup> Germany’s unused capacity was \*\*\* short tons in 2005. CR/PR at Table IV-18. Argentina’s unused capacity was \*\*\* short tons in that year, and Brazil’s unused capacity was \*\*\* short tons. CR/PR at Tables IV-7 (Argentina), IV-12 (Brazil).

<sup>74</sup> CR/PR at Table I-3.

<sup>75</sup> 19 U.S.C. § 1675a(a).

its restraining effects on volumes and prices of imports.”<sup>76</sup> Thus, the likelihood standard is prospective in nature.<sup>77</sup> The U.S. Court of International Trade has found that “likely,” as used in the sunset review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>78</sup>

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>80</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”<sup>81</sup>

Although the standard in a five-year review is not the same as the standard applied in an original antidumping duty investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”<sup>82</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or the suspension agreement is

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<sup>76</sup> SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” SAA at 883.

<sup>77</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>78</sup> See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), aff’d without opinion, 05-1019 (Fed. Cir. Aug. 3, 2005); Nippon Steel Corp. v. United States, Slip Op. 02-153 at 7-8 (Ct. Int’l Trade Dec. 24, 2002) (same); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 4 n.3 & 5-6 n.6 (Ct. Int’l Trade Dec. 20, 2002) (“more likely than not” standard is “consistent with the court’s opinion”; “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); Indorama Chemicals (Thailand) Ltd. v. United States, Slip Op. 02-105 at 20 (Ct. Int’l Trade Sept. 4, 2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); Usinor v. United States, Slip Op. 02-70 at 43-44 (Ct. Int’l Trade July 19, 2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>79</sup> For a complete statement of Commissioner Okun’s interpretation of the likely standard, see Additional Views of Vice Chairman Deanna Tanner Okun Concerning the “Likely” Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Invs. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Review) (Remand), USITC Pub. 3754 (Feb. 2005).

<sup>80</sup> 19 U.S.C. § 1675a(a)(5).

<sup>81</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” Id.

<sup>82</sup> 19 U.S.C. § 1675a(a)(1).

terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>83 84 85</sup>

In evaluating the likely volume of imports of subject merchandise if the antidumping orders are revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>86</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>87</sup>

In evaluating the likely price effects of subject imports if the antidumping duty orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to domestic like products and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.<sup>88</sup>

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<sup>83</sup> 19 U.S.C. § 1675a(a)(1). There have been no duty absorption findings by Commerce with respect to the orders under review. U.S. Department of Commerce, “Issues and Decision Memorandum for the Expedited Sunset Reviews of the Antidumping Duty Orders on Certain Small Diameter Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, and Germany; Final Results,” Sept. 29, 2006. The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>84</sup> 19 U.S.C. § 1677e(a) authorizes the Commission to use the “facts otherwise available” in reaching a determination when: (1) necessary information is not on the record or (2) an interested party or other person withholds information requested by the agency, fails to provide such information in the time, form, or manner requested, significantly impedes a proceeding, or provides information that cannot be verified pursuant to section 781(i) of the Act. 19 U.S.C. § 1677e(a). The verification requirements in section 781(i) are applicable only to Commerce. 19 U.S.C. § 1677m(i). See *Titanium Metals Corp. v. United States*, 155 F. Supp. 2d 750, 765 (Ct. Int’l Trade 2002) (“the ITC correctly responds that Congress has not required the Commission to conduct verification procedures for the evidence before it, or provided a minimum standard by which to measure the thoroughness of Commission investigations.”)

<sup>85</sup> Commissioner Okun notes that the statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. See 19 U.S.C. § 1677e. She generally gives credence to the facts supplied by the participating parties and certified by them as true, but bases her decision on the evidence as a whole, and does not automatically accept participating parties’ suggested interpretations of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. “In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive.” SAA at 869.

<sup>86</sup> 19 U.S.C. § 1675a(a)(2).

<sup>87</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

<sup>88</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on

(continued...)



In evaluating the likely impact of imports of subject merchandise if the antidumping order is revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>89</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.<sup>90</sup> As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the order at issue and whether the industry is vulnerable to material injury if the orders are revoked.<sup>91</sup>

## **B. Conditions of Competition and the Business Cycle**

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>92</sup> The following conditions of competition are relevant to our determination.

*Demand.* The business cycle for seamless SLP pipe is a function of demand in downstream, end-use markets. Seamless SLP pipe is used in oil and gas transmission, construction and repair of refining facilities, the chemical industry, power generation, and mechanical applications for general construction.<sup>93</sup> Because seamless SLP pipe is used extensively in the transmission and refining of gas and oil, the business cycle and prices for seamless SLP pipe are particularly influenced by the business cycle and prices in the oil and gas markets.

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<sup>88</sup> (...continued)

circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>89</sup> 19 U.S.C. § 1675a(a)(4).

<sup>90</sup> 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that “the Commission may consider the magnitude of the margin of dumping” in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year reviews as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887.

Commerce expedited its determinations in its reviews and found that revocation of the antidumping duty orders would likely lead to continuation or recurrence of dumping. For Argentina, Commerce found a weighted-average margin of 108.13 percent for Siderca and for all others. With respect to Brazil, it found a weighted-average margin of 124.94 percent for V&M and for all others. For Germany, it found a weighted-average margin of 57.72 percent for Vallourec & Mannesmann Tubes and for all others. 71 Fed. Reg. 59,079 (Oct. 6, 2006).

<sup>91</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

<sup>92</sup> 19 U.S.C. § 1675a(a)(4).

<sup>93</sup> See generally CR at II-8 - II-10, PR at II-5 - II-7.

Demand for seamless SLP pipe, as measured by apparent U.S. consumption, fluctuated during the 2001 to 2005 period, but increased overall.<sup>94</sup> The increases in consumption of seamless SLP since 2003 have been driven by increases in demand in the gas, oil and energy markets.<sup>95</sup> Published sources report that U.S. demand for line pipe has risen because of increased drilling activity, which usually precedes the construction of pipeline systems. According to Metal Bulletin Research (“MBR”), between April and October 2006, demand for seamless line pipe grew as strongly as demand for OCTG.<sup>96</sup> Preston Pipe and Tube Report noted that “all world markets are doing well.”<sup>97</sup>

The high level of demand for seamless SLP has resulted in \*\*\* increases in U.S. and global prices. U.S. prices have increased \*\*\*, particularly since 2004, and global prices have increased and remained at high levels.<sup>98</sup> These high prices have resulted in significant improvements in the condition of the domestic industry. The domestic industry’s operating margins increased from \*\*\* percent in 2003 to \*\*\* percent in 2004, and increased further to \*\*\* percent in 2005.<sup>99</sup> The domestic industry’s operating margin remained very high at \*\*\* percent in the Jan.-Sept. 2006 period.<sup>100</sup>

In the United States, there have been fewer projects requiring oil or gas transmission pipe, although the aging pipeline infrastructure may increase the demand for line pipe.<sup>101</sup> The Interstate Natural Gas Association of America estimates that \$19 billion will be required to maintain existing pipeline capacity.<sup>102</sup> Another \$42 billion will be needed for new pipeline and storage infrastructure in the United States and Canada, as domestic natural gas consumption is expected to increase from 22 trillion cubic feet in 2003 to 30 trillion cubic feet in 2015.<sup>103</sup> MBR states that the replacement or refurbishing of existing infrastructure, as well as the increased investment in gathering lines and distribution systems in the United States, has spawned greater demand for seamless line pipe.<sup>104</sup>

Looking forward, the price of West Texas Intermediate crude oil is projected to remain high at an average of \$62.23 per barrel in 2007, down slightly from \$66.00 per barrel in 2006.<sup>105</sup> Prices for oil and gas are also projected to fall, but remain high in 2008.<sup>106</sup> A strong majority of market participants responding to the Commission’s inquiry anticipated no changes in U.S. or global demand in the future. One of three responding U.S. producers, six of nine responding importers and 14 of 18 responding

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<sup>94</sup> Apparent U.S. consumption was \*\*\* short tons in 2001 and declined irregularly to \*\*\* short tons in 2003. Consumption then increased in 2004 to \*\*\* short tons. Consumption remained at a high level, albeit at somewhat reduced levels compared to 2004, in 2005 at \*\*\* short tons. Apparent U.S. consumption in the Jan.-Sept. 2006 period, (\*\*\*) short tons, was \*\*\* higher than apparent U.S. consumption in the comparable 2005 period: \*\*\* short tons. CR/PR at Table II-1.

<sup>95</sup> See CR at II-13, PR at II-9; CR/PR at Table II-1.

<sup>96</sup> CR at IV-39 - IV-40, PR at IV-19.

<sup>97</sup> CR at II-12, PR at II-8.

<sup>98</sup> CR/PR at Tables V-2 and V-3, Figure V-3, and Table IV-26 and Figure IV-1.

<sup>99</sup> CR/PR at Table III-7.

<sup>100</sup> CR/PR at Table III-7.

<sup>101</sup> CR at IV-40, PR at IV-19.

<sup>102</sup> CR at IV-40, PR at IV-19.

<sup>103</sup> CR at IV-40, PR at IV-19.

<sup>104</sup> CR at IV-40, PR at IV-19.

<sup>105</sup> CR at II-16, PR at II-11 (citing data compiled by the Energy Information Administration).

<sup>106</sup> CR/PR at Figures II-4 and II-5.

purchasers reported no anticipated changes in U.S. demand. Two of three responding U.S. producers, five of six responding importers and nine of 12 responding purchasers did not expect changes in demand outside the United States. However, four of five responding foreign producers reportedly expect demand in the United States and the rest of the world to change, while one firm expects no change.<sup>107</sup> Preston Pipe and Tube Report has forecasted strong U.S. demand for line pipe in 2007, with new line pipe orders placed in 2006 for projects to begin in 2007, although MBR describes demand in this sector as “lackluster.”<sup>108</sup> Siderca has identified numerous projects worldwide that will consume seamless SLP pipe.<sup>109</sup>

Thus, the record evidence does not indicate an impending downturn in the business cycle, consumption, or prices for seamless SLP or the related downstream industries.

*Supply.* The U.S. market for seamless SLP pipe is supplied by domestic production and imports from both subject and nonsubject countries. Seamless SLP pipe from various sources is generally substitutable.<sup>110</sup>

U.S. producers’ share of the U.S. market declined from \*\*\* percent in 2001 to \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 as compared with \*\*\* percent in Jan.-Sept. 2006.<sup>111</sup> Since the original investigations, the U.S. industry has experienced some consolidation and the exit of two U.S. producers of seamless SLP pipe operating three mills.<sup>112</sup>

Domestic capacity increased irregularly from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006.<sup>113 114</sup> Domestic production declined irregularly from \*\*\* short tons in 2001 to \*\*\* short tons in 2005, although it was higher in 2005 than in 2002 or 2003. Domestic production was higher in Jan.-Sept. 2006 than in Jan.-Sept. 2005 (\*\*\* short tons compared to \*\*\* short tons).<sup>115</sup>

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<sup>107</sup> CR at II-14, PR at II-9 - II-11.

<sup>108</sup> CR at II-12, IV-40, PR at II-8, IV-19.

<sup>109</sup> Siderca’s Posthearing Brief, Answer to Commission Question 2.

<sup>110</sup> See CR/PR at Tables I-11, II-6, II-7; CR at II-28 - II-31, PR at II-19-21.

<sup>111</sup> CR/PR at Table I-11.

<sup>112</sup> During the original investigations, there were eight U.S. producers: Gulf States Tube Co., Koppel, Michigan Specialty, Plymouth Tube, Sharon Tube, Timken, USS Fairfield, and USS Lorain. In 2000, the parent company of Gulf States, Vision Metals, Inc., filed for bankruptcy and closed its Rosenberg, Texas seamless SLP pipe production facility, which is currently idle. In 2002, Michigan Seamless Tube, Inc. was created to purchase the Michigan Specialty Tube Division of the defunct Vision Metals, Inc. Currently, Michigan Seamless is a part of Atlas Holdings, LLC, a private equity firm, and no longer produces seamless SLP pipe. In December 2006, IPSCO acquired NS Group, the parent company of Koppel. On January 30, 2007, Sharon Tube announced that it signed a definitive agreement to be acquired by John Maneely Company, the parent company of Wheatland Tube and Atlas Tube. Finally, Plymouth Tube no longer produces seamless SLP pipe and U.S. Steel is now operating its two mills on a consolidated basis. CR at I-33 - I-34, PR at I-27 - I-28.

<sup>113</sup> CR/PR at Table III-1.

<sup>114</sup> Reported capacity is a function of the amount of total seamless pipe capacity allocated by the producers to the production of the subject pipe.

<sup>115</sup> CR/PR at Table III-1.

Total subject imports' share of apparent U.S. consumption was steady at very low levels over the period of review, never exceeding \*\*\* percent.<sup>116</sup> Nonsubject import market share was \*\*\* percent in 2001, increasing to \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 as compared with \*\*\* percent in Jan.-Sept. 2006. Nonsubject imports increased from 96,667 short tons in 2001 to 118,484 short tons in 2005, and were 91,020 short tons in Jan.-Sept. 2005 as compared with 126,725 short tons in Jan.-Sept. 2006.<sup>117</sup> Imports of seamless SLP pipe from China were responsible for a substantial portion of this increase. These imports rose from 25,983 short tons in 2001 to 43,215 short tons in 2005, and totaled 64,401 short tons in Jan.-Sept. 2006 as compared to 30,033 short tons in Jan.-Sept. 2005.<sup>118</sup>

*Interchangeability.* While price is not the most important factor in purchasing decisions for seamless SLP pipe, it remains important.<sup>119</sup> In these reviews, quality and price were reported as the most important factors by the largest number of purchasers, and price was reported most frequently as the third most important factor.<sup>120</sup>

While purchasers most frequently identified quality as the most important purchasing factor,<sup>121</sup> they generally regard subject and nonsubject seamless SLP pipe to be comparable to the U.S. product in quality and consistency.<sup>122</sup> Consistent with those reports, a majority of responding purchasers indicated that they usually or always purchased the lowest-priced product.<sup>123</sup>

## **C. Findings in the Original and First Review Investigations**

### **1. Original Investigations**

The Commission found that cumulated subject imports were present in substantial quantities throughout most of the period. It also found that the volume and market share of cumulated subject imports were significant.<sup>124</sup>

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<sup>116</sup> CR/PR at Table I-11. Whether measured by quantity or by value, Germany was the sole subject country whose market share exceeded \*\*\* percent during a calendar year or interim period. CR/PR at Table I-11.

<sup>117</sup> CR/PR at Table I-10.

<sup>118</sup> CR/PR at Table IV-2.

<sup>119</sup> CR/PR at Table II-3.

<sup>120</sup> CR at II-22, PR at II-15, CR/PR at Table II-3.

<sup>121</sup> CR/PR at Table II-3.

<sup>122</sup> CR/PR at Table II-8. With one exception, purchasers rated subject and domestic seamless SLP pipe as comparable in terms of product consistency, quality meets industry standards, and quality exceeds industry standards. *Id.* A majority of purchasers also rated nonsubject and domestic product comparable in these measures, although a notable minority ranked the nonsubject producer inferior or, less often, superior, in product consistency and quality exceeds industry standards. *Id.*

<sup>123</sup> Of 16 responding purchasers, one indicated that it “always” purchased the lowest-priced product, nine reported “usually,” one indicated both “usually” and “sometimes,” and five replied “sometimes.” CR at II-26, PR at II-17 - II-18; *see* Tr. at 45 (Mr. Verellen) (indicating that some purchasers “are still unwilling” to purchase Chinese product and that imports by only certain Chinese producers are becoming more accepted).

<sup>124</sup> Original Views (confidential) at 41-42.

The Commission found significant underselling and significant price depression and suppression by cumulated subject imports. It found that the domestic and imported products were reasonably good substitutes and that price was an important factor in purchasing decisions.<sup>125</sup>

The Commission found that despite the domestic industry's increases in market share, shipments, production, and capacity utilization over the period of investigation, it experienced poor financial performance as a result of the price effects resulting from the subject imports, and thus found a significant adverse impact by reason of subject imports.<sup>126</sup>

## **2. First Reviews**

In the first reviews, the Commission found that the volume of cumulated subject imports (from Argentina, Brazil and Germany) would likely be significant if the orders were revoked. The record indicated that producers in those subject countries had significant production capacity and there was evidence that product shifting was likely, that seamless pipe prices were generally higher in the United States than elsewhere, that subject producers relied heavily on their export markets, and that transnational corporate affiliations among many of the subject country producers enhanced their ability to resume exporting to the United States.<sup>127</sup>

The Commission found that a majority of producers and importers reported that differences other than price between the domestic and subject product were generally not a significant factor in their sales. Thus, there was a strong incentive for subject imports to compete on the basis of price to capture sales in the event of their return to the U.S. market. The Commission found that, given the likely significant volume of subject imports upon revocation of the orders, subject pipe would likely have significant depressing and suppressing effects on prices for the domestic like product.<sup>128</sup>

The Commission found that the volume and price effects of the cumulated subject imports would likely have a significant negative impact on the domestic industry.<sup>129 130</sup>

### **D. Revocation of the Order on Subject Imports of Seamless SLP Pipe from Argentina Is Not Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

#### **1. Likely Volume of the Subject Imports**

In the original investigations, subject imports from Argentina increased from \*\*\* short tons in 1992 to \*\*\* short tons in 1994. There have been \*\*\* subject imports from Argentina since \*\*\*.<sup>131</sup>

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<sup>125</sup> Original Views (confidential) at 43-45.

<sup>126</sup> Original Views (confidential) at 47-48.

<sup>127</sup> First Reviews Views (confidential) at 24-27. The Commission revoked the antidumping duty order on imports of seamless SLP pipe from Italy.

<sup>128</sup> First Reviews Views (confidential) at 27-28.

<sup>129</sup> First Reviews Views (confidential) at 29-30 & nn.179-80.

<sup>130</sup> Upon remand the Commission again found that the likely volume of subject imports would be significant, that revocation of the orders would likely have significant price depressing and suppressing effects, and that the likely volume and price effects of the cumulated subject imports would have a significant negative impact on the domestic industry (then Vice Chairman Okun and Commissioner Pearson dissenting). Remand Views (confidential) at 5-29.

<sup>131</sup> CR/PR at Table I-3.

The Argentine industry's capacity to produce seamless SLP pipe declined over the period of review, from \*\*\* short tons in 2001 to \*\*\* short tons in 2005; its capacity was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006.<sup>132</sup> Argentina's capacity is projected to be \*\*\* short tons in 2006 and 2007. The industry has \*\*\* excess capacity. Capacity utilization for subject products was \*\*\* percent in 2001 and rose to \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>133</sup> Considering the level of apparent consumption in the U.S. market, the production volume represented by this excess capacity is not large.<sup>134</sup> In addition, Siderca's capacity utilization is high for the broader range of all seamless pipe products that it manufactures (in excess of \*\*\* percent in 2005 and 2006).<sup>135</sup>

Siderca does not maintain inventories of its seamless SLP pipe for export sales, as it produces products pursuant to purchase order. Such pipe is not held in inventory *per se*, but is stored while awaiting shipment.<sup>136</sup> Thus, its inventories are not a significant factor in our analysis.

Siderca has not shipped subject pipe to the United States since \*\*\*, when U.S. imports of Argentine seamless SLP pipe reached \*\*\* short tons.<sup>137</sup> Based on the global demand conditions described above, we do not find that Siderca is likely to shift significantly shipments from either its home market or third-country export markets to the U.S. market.

While U.S. demand has increased during the period of review<sup>138</sup> and U.S. prices for seamless SLP pipe have increased,<sup>139</sup> the record indicates that global demand is also strong<sup>140</sup> and that prices for subject pipe have increased in other markets as well.<sup>141</sup> Indeed, industry participants and publications report continued strong worldwide demand in oil and gas markets, which are the markets that drive demand for seamless SLP pipe.<sup>142</sup> As a result of this strong global demand, prices for subject pipe in other key markets have been higher than or comparable to prices in the U.S. market.<sup>143</sup> While we note that differences in average unit values may be attributable to differences in product mix, the average unit value of Siderca's shipments of subject pipe to its home market exceeded the average unit value of U.S.

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<sup>132</sup> CR/PR at Table IV-7.

<sup>133</sup> CR/PR at Table IV-7.

<sup>134</sup> Apparent U.S. consumption was \*\*\* short tons in 2001 and grew to \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table I-10. Argentina's excess capacity for subject pipe was only \*\*\* short tons in 2005, representing only \*\*\* percent of apparent U.S. consumption in that year. Argentina's excess capacity for subject pipe was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006, representing \*\*\* percent and \*\*\* percent of apparent U.S. consumption, respectively. CR/PR at Tables I-11, IV-7.

<sup>135</sup> CR/PR at Table IV-10.

<sup>136</sup> Tr. at 182-82 (Mr. Balkenende), Siderca's Prehearing Brief at 20-21, Siderca's Posthearing Brief at 10; cf. CR/PR at Table IV-7.

<sup>137</sup> CR/PR at Table I-3.

<sup>138</sup> See CR/PR at Table I-10.

<sup>139</sup> See CR/PR at Tables V-2 - V-3.

<sup>140</sup> CR at IV-42, PR at IV-21.

<sup>141</sup> CR/PR at Table IV-26.

<sup>142</sup> CR/PR at Tables II-1 - II-2. See, e.g., Preston Pipe and Tube Report, United States and Canada, Vol. 22, No. 1, Jan. 2007, at 1; Vol. 24, No. 6, June 2006, at 1; Vol. 24, No. 8, Aug. 2006, at 1.

<sup>143</sup> CR/PR at Table IV-26.

producers' U.S. shipments throughout the period of review.<sup>144</sup> In fact, the United States has represented only a minor export market for Siderca in recent years for its sales of all seamless pipe. In 2005, the United States was ranked \*\*\* as a country market for Siderca's total exports and in 2006, the United States was only ranked \*\*\*, despite rising prices and demand. The United States represented only \*\*\* percent of Siderca's total sales in 2006.<sup>145</sup>

We have considered whether Siderca is likely to redirect production from other seamless pipe products to subject SLP pipe if the order is revoked.<sup>146</sup> The statute directs the Commission to consider the potential for product shifting if the facilities in the foreign country, which can be used to produce the subject product, are currently being used to produce other products.<sup>147</sup> In Argentina, OCTG and other products are produced in the same facilities using the same equipment and employees as seamless SLP pipe.<sup>148</sup> Thus, Siderca could potentially engage in product shifting in order to increase the volume of subject pipe exported to the U.S. market.<sup>149</sup>

The strong demand in the oil and gas markets has also increased demand for other pipe and tube products, particularly OCTG. A comparison of prices between OCTG and subject pipe shows that OCTG prices have uniformly exceeded those for seamless SLP pipe by a substantial margin. Prices for a representative OCTG product have recently exceeded prices for a representative subject pipe product by up to \$\*\*\* per ton; in the most recent months, the price difference was approximately \$\*\*\* per ton and this differential is forecast to persist.<sup>150</sup> Therefore, based on relative prices, the record evidence does not support a finding that shifting production from OCTG to seamless SLP pipe would be economically rational for a foreign producer seeking to enter the U.S. market in the reasonably foreseeable future.<sup>151</sup> Siderca's high capacity utilization rate for overall seamless pipe products also indicates strong demand and sales of nonsubject product, and that the industry is not likely to shift away from the production of those nonsubject products in the reasonably foreseeable future. Additionally, seamless pipe production facilities have an optimal product mix based on prevailing market conditions that discourages the wholesale shifting of production from one product to another.<sup>152</sup> Thus, we do not find it likely that Siderca will engage in significant product shifting.

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<sup>144</sup> Compare CR/PR at Table III-4 and Table IV-7. Although we are cognizant of product mix concerns, we note also that Siderca's AUV for its home market shipments is greater than its AUVs for shipments to each category of export market, CR/PR at Table IV-7, providing some indication that its home market shipments are at higher prices for comparable products, are of higher value items, or some combination thereof.

<sup>145</sup> Siderca's Posthearing Brief, Response to Commission Question 4.

<sup>146</sup> Our analysis of the likelihood of Siderca engaging in product shifting takes into account the analytical framework outlined by the Court of International Trade in Siderca, S.A.I.C. v. United States, 350 F. Supp. 2d 1223.

<sup>147</sup> 19 U.S.C. § 1675a(a)(2)(D).

<sup>148</sup> Siderca's Prehearing Brief at 17.

<sup>149</sup> We note that there is currently a U.S. antidumping duty order on OCTG from Argentina. See Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Inv. Nos. 731-TA-711 & 713-716, USITC Pub. 2911 (Aug. 1995); 60 Fed. Reg. 41,055 (Aug. 11, 1995); 65 Fed. Reg. 66,701 (Nov. 7, 2000).

<sup>150</sup> CR/PR at Figure IV-1.

<sup>151</sup> While there is some evidence to the contrary, the weight of the evidence, particularly the available pricing data, do not support a finding that seamless SLP pipe is consistently a more profitable product than OCTG. See, e.g., Tr. at 138 (Mr. Broglie); Siderca's Posthearing Brief, Response to Commission Question 10; Domestic Industry's Posthearing Brief at Exh. 1 pp. 18-19; see CR/PR at Figure IV-1.

<sup>152</sup> See, e.g., Tr. at 258-59 (Mr. Spak); Siderca's Posthearing Brief at 17-18; see also Tr. at 138 (Mr. Broglie).

Domestic producers also argue that the existence of transnational corporate affiliations and global contracts would enhance the ability of the subject foreign producers to reestablish quickly their presence in the U.S. market if the orders are revoked by providing a ready network for marketing, sales and distribution.<sup>153</sup> While transnational affiliations among subject producers may facilitate their ability to export to the U.S. market if they choose to do so, such affiliations do not, in and of themselves, constitute evidence that subject producers are likely to increase exports to the U.S. market.<sup>154</sup> Before the impact of any transnational affiliations comes into play, subject producers must first have an economic incentive to export to the U.S. market. As discussed above, we do not find that the economic incentives that would induce a likely significant volume of subject imports from Argentina currently exist or are likely to exist in the reasonably foreseeable future. The record indicates that the Tenaris Group, which owns Siderca, is not supplying large volumes of seamless SLP pipe to the United States from its mills in other countries.<sup>155</sup> Nor, as noted above, has Siderca supplied large volumes of nonsubject seamless pipe to the United States. For these reasons, including the lack of clear economic incentives, we find the presence of transnational affiliations among subject producers does not by itself provide substantial evidence that the likely volume of subject imports would be significant.<sup>156</sup>

Siderca's seamless SLP pipe exports are not subject to any tariff or non-tariff barriers in any other country, nor are they subject to current investigations outside the United States.<sup>157</sup> However, the domestic industry argues that increases in Chinese production and exports act as a barrier by shrinking the export outlets for producers in the subject countries.<sup>158</sup> The domestic industry argues that China's seamless pipe production and exports will likely grow and will increasingly displace subject producers' shipments to third-country markets.<sup>159</sup>

There is no information in the record that Siderca's exports of seamless SLP pipe have been displaced by Chinese exports. To the contrary, the record indicates that Siderca's exports to China and to other Asian markets have increased over the period of review, as have its exports to non-Asian markets.<sup>160</sup>

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<sup>153</sup> See Domestic Industry's Prehearing Brief at 53; Tr. at 28 (Mr. Vaughn), 52-53 (Mr. Leland), 73-74 (Mr. Vaughn), 77 (Mr. Hecht).

<sup>154</sup> Commissioner Pearson notes that U.S. antitrust statutes are premised on the economic rationale that consolidation of companies within an industry holds the potential for reducing competition among firms, thus resulting in higher prices for the goods they produce. He sees no obvious reason why consolidation of formerly independent firms under a single corporate umbrella, but operating in more than one country, should not have a similar effect. He would expect such transnational consolidations to lead to less competition among various exporting countries for shipments to the United States and to make it more likely that those sales would be made at higher prices rather than lower ones.

<sup>155</sup> See CR/PR at Table IV-2. Tenaris has affiliations with seamless pipe producers in Italy, Canada, Venezuela, Mexico, Romania, and Japan, as well as Argentina. CR at IV-12 n.3, PR at IV-11 n.3. Seamless SLP pipe from Romania and Japan are subject to antidumping duty orders in the United States, as are OCTG from Argentina, Italy, and Mexico.

<sup>156</sup> See also Carbon and Alloy Seamless Standard, Line, and Pressure Pipe From the Czech Republic, Japan, Mexico, Romania, and South Africa, Inv. Nos. 731-TA-846-850 (Review), USITC Pub. 3850 (Apr. 2006), at 32.

<sup>157</sup> CR at IV-14, PR at IV-12.

<sup>158</sup> Domestic Industry's Prehearing Brief at 45; Domestic Industry's Posthearing Brief at 3, 15.

<sup>159</sup> Domestic Industry's Prehearing Brief at 48.

<sup>160</sup> CR/PR at Table IV-7.



There is also evidence in the record that some of Siderca's sales are subject to \*\*\*.<sup>161</sup> Not only does this indicate that Chinese exports have not, and are not likely to, displace Siderca's subject pipe exports, but it also provides another reason why Siderca has little reason to ship significant volumes of seamless SLP pipe to the United States upon revocation of the order.<sup>162</sup>

In sum, while we acknowledge that there may be some increase in subject imports from Argentina upon revocation of the order, we find that the volume of subject imports from Argentina will not be significant in the reasonably foreseeable future.

## 2. Likely Price Effects of the Subject Imports

In the original investigations, the Argentine product was priced lower than the domestic product in 57 of 68 quarterly price comparisons, with underselling margins ranging from \*\*\* percent to \*\*\* percent.<sup>163</sup> In both the first reviews and these second reviews, there were \*\*\* imports of subject product from Argentina, and the Commission therefore obtained no pricing data with respect to Argentina.<sup>164</sup>

We find, as stated above, that seamless SLP pipe is a product that is generally substitutable among the subject imports and domestic like product and for which price is important in purchasing decisions. U.S. prices increased considerably over the period of review, notwithstanding increasing quantities of nonsubject imports.<sup>165 166</sup> These price increases have resulted in a decline in the domestic industry's ratio of cost of goods sold to net sales from \*\*\* percent in 2001 to \*\*\* percent in 2006.<sup>167</sup> Thus, the evidence does not indicate that the domestic industry is experiencing a cost-price squeeze. Also, as explained above, given relative prices between the U.S. and other key markets, lack of substantial excess capacity in Argentina, and lack of incentive for the Argentine producer to shift production to subject pipe from other, more profitable, pipe products, there is no incentive to undersell in order to ship significant volumes to the United States. For these reasons, as well as sustained strong U.S. demand and our determination that revocation of the order on subject SLP pipe from Argentina is not likely to result in significant volumes of imports of subject merchandise, we find that revocation of the

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<sup>161</sup> CR at IV-13 n.10, PR at IV-11 n.10.

<sup>162</sup> We note that Siderca argues that its focus is on specialized energy projects – supplying petrochemical, gas-processing and refinery construction projects rather than the maintenance market for commodity-grade pipe -- which are not plentiful in the United States. See Siderca's Posthearing Brief at 8; Tr. at 184-85, 200, 243-44 (Mr. Balkenende). However, the evidence in the record is mixed as to Siderca's concentration on supplying such projects and the size of this project market in the United States. See Domestic Industry's Final Comments at 5-11. Therefore, our volume finding is not based on Siderca's arguments with respect to the project market.

<sup>163</sup> CR/PR at Table V-4.

<sup>164</sup> First Reviews Staff Report at V-9; CR at V-6, PR at V-5.

<sup>165</sup> For pricing product 1, domestic prices increased from \$\*\*\* per short ton in Jan.-Mar. 2001 to \$\*\*\* per short ton in July-Sept. 2006. CR/PR at Table V-2. For pricing product 2, domestic prices increased from \$\*\*\* per short ton in Jan.-Mar. 2001 to \$\*\*\* per short ton in July-Sept. 2006. CR/PR at Table V-2. For pricing product 3, domestic prices increased from \$\*\*\* per short ton in Jan.-Mar. 2001 to \$\*\*\* per short ton in July-Sept. 2006. CR/PR at Table V-3. For pricing product 4, domestic prices increased from \$\*\*\* per short ton in Jan.-Mar. 2001 to \$\*\*\* per short ton in July-Sept. 2006. CR/PR at Table V-2.

<sup>166</sup> Although the domestic industry has alleged some weakness in prices recently, Domestic Industry's Prehearing Brief at 66-70, we note that any recent weakness in prices is apparently a result of inventory destocking. The domestic industry has noted that this process typically lasts three months or less. See Metal Bulletin Research, Seamless Steel Tube and Pipe Monthly, Issue 18 (Mar. 2007) at 2; Tr. at 128 (Mr. Durham).

<sup>167</sup> CR/PR at Table III-7.

order is not likely to lead to significant underselling or to significant price suppressing or depressing effects by reason of subject imports from Argentina.

### 3. Likely Impact of the Subject Imports

We conclude in these reviews that the domestic industry is not currently vulnerable to injury by reason of increased subject imports. In particular, the domestic industry was profitable in every year of the period of review and profits increased to levels not seen in at least 14 years.<sup>168</sup> Operating income increased \*\*\* between 2001 and 2005, and continued its increase when the interim periods are compared. Operating income was \$\*\*\* million in 2001 and rose to \$\*\*\* million in 2005. It was \$\*\*\* million in January-September 2005 and \$\*\*\* million in January-September 2006.<sup>169</sup> Operating income as a percentage of net sales \*\*\* over the five-year period. The ratio of operating income to net sales increased from \*\*\* percent in 2001 to \*\*\* percent in 2004. It was \*\*\* percent in January-September 2004 and \*\*\* percent in January-September 2005.<sup>170</sup> Because these increases occurred while the orders under review had already been in place for nearly a decade, we attribute them to strong prices and demand, rather than to the influence of the orders.

Domestic producers' seamless SLP capacity \*\*\* increased over the period of review, primarily because of \*\*\* in capacity.<sup>171</sup> We note that the industry's reported capacity utilization ranged between \*\*\* percent and \*\*\* percent over the period of review.<sup>172</sup> We do not find these capacity utilization rates, however, to indicate vulnerability. In these reviews, U.S. Steel, \*\*\* the largest domestic producer,<sup>173</sup> reported an increase in capacity of \*\*\* percent from 2001 to 2005.<sup>174</sup> It reported its capacity as based on a possible three production shifts at its Lorain Number 4 mill, although it operated with only one production shift at that mill throughout the period of review despite strong demand and prices.<sup>175</sup> Moreover, U.S. Steel has not operated more than one shift at this mill since early 1998. We also note that from 1992 onward, the industry's reported capacity utilization has never exceeded \*\*\* percent.<sup>176</sup>

We also considered other indicators of the industry's condition; on balance, the indicators as a whole do not support a finding that the industry is vulnerable. We note that although inventories increased,<sup>177</sup> the vast majority of these inventories are held by \*\*\*.<sup>178</sup> U.S. producers' market share

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<sup>168</sup> See CR/PR at Table I-3.

<sup>169</sup> CR/PR at Table III-7.

<sup>170</sup> CR/PR at Table III-7.

<sup>171</sup> Capacity increased from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. It was \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table III-1. Sharon Tube reported \*\*\* while Koppel reported \*\*\*. Timken reported an \*\*\* in capacity from 2001 to 2004 of \*\*\* percent, but then \*\*\*, which \*\*\* its capacity by \*\*\* percent in 2005 from the previous year. CR at III-2, PR at III-1.

<sup>172</sup> CR/PR at Table III-1.

<sup>173</sup> U.S. Steel's share of production of seamless SLP pipe in 2005 was \*\*\* percent. CR/PR at Table I-7.

<sup>174</sup> U.S. Steel's Producer Questionnaire Response at section II-8.

<sup>175</sup> CR at III-1 n.2, III-2 n.4., PR at III-1 n.2, III-1 n.4.

<sup>176</sup> CR/PR at Table I-3; Domestic Industry's Posthearing Brief, Exh. 1 at 8-10; Tr. at 37-38 (Mr. Broglie).

<sup>177</sup> Inventories rose from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. They were \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Table III-5.

<sup>178</sup> See \*\*\* Responses to Producer Questionnaire, section II-8; CR at III-7, PR at III-3.

declined from 2001 to 2003 and remained unchanged in 2004 and 2005.<sup>179</sup> While the number of production and related workers,<sup>180</sup> hours worked<sup>181</sup> and wages paid<sup>182</sup> declined from 2001 to 2005, productivity increased<sup>183</sup> and unit labor costs declined.<sup>184</sup> The domestic industry's capital expenditures increased from 2001 to 2005,<sup>185</sup> while research and development expenditures fluctuated over the period of review.<sup>186</sup> The domestic industry realized significant increases in its return on investment in 2004 and 2005.<sup>187</sup>

The domestic industry argues that it has been forced into niche segments of the U.S. market by the increase in nonsubject imports and that, if the orders are revoked, the subject imports will compete against the domestic like product in these niches.<sup>188</sup> We do not find that the record evidence supports the domestic industry's contention that it has been forced into niche segments of the U.S. market. If this contention were true, we would expect the domestic industry's shipments and net sales volume to have declined as the volume of nonsubject imports increased. We do not, however, see this inverse relationship.

The domestic industry's shipment and net sales volumes declined between 2001 and 2003,<sup>189</sup> while the volume of nonsubject imports also declined.<sup>190</sup> From 2003 to 2004, the domestic industry's U.S. shipments increased by \*\*\* percent and its net sales volume increased by \*\*\* percent, despite a sharp increase in the volume of nonsubject imports of 42.1 percent. From 2004 to 2005, domestic producers' U.S. shipments and net sales declined somewhat (by \*\*\* percent and \*\*\* percent, respectively), as the volume of nonsubject imports declined by a similar degree (8.9 percent). Comparing

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<sup>179</sup> U.S. producers' market share fell from \*\*\* percent in 2001 to \*\*\* percent in 2003, and was \*\*\* percent in 2004 and \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006. CR/PR at Table I-11.

<sup>180</sup> The number of production and related workers decreased from \*\*\* in 2001 to \*\*\* in 2005. The number of production and related workers increased was \*\*\* in Jan.-Sept. 2005 and \*\*\* in Jan.-Sept. 2006. CR/PR at Table III-6.

<sup>181</sup> Hours worked declined from \*\*\* in 2001 to \*\*\* in 2005. Hours worked were \*\*\* in Jan.-Sept. 2005 and \*\*\* in Jan.-Sept. 2006. CR/PR at Table III-6.

<sup>182</sup> Wages paid decreased from \$\*\*\* million in 2001 to \$\*\*\* million in 2004. Wages paid were \$\*\*\* million in Jan.-Sept. 2005 and \$\*\*\* million in Jan.-Sept. 2006. CR/PR at Table III-6.

<sup>183</sup> Productivity increased from \*\*\* short tons per 1,000 hours in 2001 to \*\*\* short tons per 1,000 hours in 2005. It was \*\*\* in Jan.-Sept. 2005 and \*\*\* in Jan.-Sept. 2006. CR/PR at Table III-6.

<sup>184</sup> Unit labor costs fell from \$\*\*\* in 2001 to \$\*\*\* in 2005. Unit labor costs were \$\*\*\* in Jan.-Sept. 2005 and \$\*\*\* in Jan.-Sept. 2006. CR/PR at Table III-6.

<sup>185</sup> Capital expenditures rose from \$\*\*\* in 2001 to \$\*\*\* in 2005. They were \$\*\*\* in Jan.-Sept. 2005 and \$\*\*\* in Jan.-Sept. 2006. All producers reported capital expenditures. CR/PR at Table III-11 & n.1.

<sup>186</sup> Research and development expenses ranged between \$\*\*\* in 2003 to \$\*\*\* in 2005. They were \$\*\*\* in Jan.-Sept. 2005 and \$\*\*\* in Jan.-Sept. 2006. \*\*\* reported research and development expenses. CR/PR at Table III-11 & n.2.

<sup>187</sup> The ratio of operating income to total assets increased dramatically over the period of review, reaching a period high of \*\*\* percent by the end of the period. CR/PR at Table III-13.

<sup>188</sup> See, e.g., Domestic Industry's Prehearing Brief at 1.

<sup>189</sup> The domestic industry's U.S. shipments declined by \*\*\* percent and its net sales volumes declined by \*\*\* percent. CR/PR at Tables III-4 and III-7.

<sup>190</sup> Nonsubject and total import volume declined by \*\*\* percent. CR/PR at Table IV-1.

Jan.-Sept. 2005 to Jan.-Sept. 2006, the domestic industry's U.S. shipments and net sales again increased, despite another increase in the volume of nonsubject imports.<sup>191</sup> Therefore, the record does not support the domestic industry's contention that it has been forced by nonsubject imports into niche segments of the market.<sup>192 193</sup>

At the same time, a comparison reveals that AUVs for nonsubject imports were \*\*\* lower than AUVs for the domestic industry's U.S. shipments, indicating that the domestic industry on average receives higher prices on sales, sells higher value products, or a combination of both.<sup>194</sup> Thus, while not confined to a market niche, the domestic industry's shipments are skewed toward higher value sales when compared to nonsubject imports. In an expanding market, the domestic industry would be expected to pursue higher value sales in order to maximize profitability.

In line with our findings regarding the likely volume and price effects of subject imports from Argentina, we find that subject imports would not be likely to have a significant adverse impact on the domestic industry's output, sales, market share, profits, or return on investment, if the order were revoked. Demand is projected to remain sufficiently strong such that the small volume of subject imports that would be likely upon revocation would not be likely to have a significant adverse impact on the domestic industry. Therefore, we find that revocation of the antidumping duty order on subject imports from Argentina is not likely to lead to the continuation or recurrence of material injury to the U.S. seamless SLP pipe industry within a reasonably foreseeable time.

## **E. Revocation of the Orders on Subject Imports of Seamless SLP Pipe from Brazil Is Not Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

### **1. Likely Volume of the Subject Imports**

In the original investigations, subject imports from Brazil initially rose from \*\*\* short tons in 1992 to \*\*\* short tons in 1993, then fell to \*\*\* short tons in 1994. There were \*\*\* subject imports from Brazil during the period of the first review. In the current period of review, there were minimal volumes of subject imports from Brazil, ranging between \*\*\* and \*\*\* short tons in the full years, and \*\*\* short tons in Jan.-Sept. 2006.<sup>195</sup>

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<sup>191</sup> CR/PR at Tables I-3, III-4, III-7.

<sup>192</sup> Moreover, the domestic industry's production of the domestic like product was higher as a share of its total seamless pipe production in the latter interim period – it was \*\*\* percent of total seamless pipe production in Jan.-Sept. 2005 as compared to \*\*\* percent of total seamless pipe production in Jan.-Sept. 2006. CR/PR at Table III-3.

<sup>193</sup> We acknowledge that the domestic industry's market share has declined. CR/PR at Table I-11. However, these declines occurred in conjunction with some increases in the domestic industry's shipment and sales volumes, while consumption increased more rapidly. Compare CR/PR at Table III-4, III-7 with CR/PR at Table I-11. Further, the domestic industry's capacity utilization rate increased as well. CR/PR at Table I-3. The domestic industry's market share was \*\*\* percent in the Jan.-Sept. 2005 period as compared to \*\*\* percent in the Jan.-Sept. 2006 period, while its capacity utilization was \*\*\* percent in Jan.-Sept. 2005 as compared to \*\*\* percent in Jan.-Sept. 2006. Its shipments were \*\*\* short tons in Jan.-Sept. 2005 as compared to \*\*\* short tons in Jan.-Sept. 2006. CR/PR at Tables I-10, III-1, and III-4.

<sup>194</sup> CR/PR at Table C-1.

<sup>195</sup> CR/PR at Tables I-3, IV-1.

Brazil has shipped only small volumes of subject product to the United States since 2002.<sup>196</sup> V&M Brazil is primarily focused on supplying seamless SLP pipe to its home market and, to the extent V&M Brazil exports, it exports mainly to Latin American markets.<sup>197</sup> Home market shipments accounted for a large share of the industry's total shipments throughout the period of review, ranging between \*\*\* percent and \*\*\* percent between 2001 and 2005, and accounting for \*\*\* percent of total shipments in Jan.-Sept. 2005 compared with \*\*\* percent of total shipments in Jan.-Sept. 2006.<sup>198</sup> The record thus does not indicate that the industry is searching for new markets, notwithstanding the existence of some unused capacity, as discussed below.<sup>199</sup> In addition, as discussed earlier, due to strong global demand, prices for subject pipe in other key markets have been higher than or comparable to prices in the U.S. market.<sup>200</sup> Although we are cognizant of product mix concerns, we note that V&M Brazil's AUV of its home market shipments is greater than the AUVs of its shipments to all other markets,<sup>201</sup> providing some indication that its home market shipments are at higher prices for comparable products, are of higher value items, or some combination thereof. For these reasons, we do not find it likely that V&M Brazil is likely to redirect product from other markets to the U.S. market.

Brazil's capacity to produce seamless SLP pipe declined over the period of review, from \*\*\* short tons in 2001 to \*\*\* short tons in 2005, a level that is approximately the same size as at the time of the original investigations.<sup>202</sup> Capacity was \*\*\* short tons in Jan.-Sept. 2005 as compared to \*\*\* short tons in Jan.-Sept. 2006.<sup>203</sup> Brazil's capacity utilization for subject products also declined over the period – from \*\*\* percent in 2001 to \*\*\* percent in 2005. It was \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>204</sup> Brazil also manufactures OCTG and other seamless pipe products on the same equipment and machinery as the subject product.<sup>205</sup> Its capacity utilization for all seamless pipe products is \*\*\* higher -- \*\*\* percent in 2005, \*\*\* percent in Jan.-Sept. 2005 and \*\*\* percent in Jan.-Sept. 2006.<sup>206</sup> In addition, its inventories are relatively low and declined over the period of review.<sup>207</sup>

The same reasons we did not find product shifting to be likely for the Argentine producer apply as well to Brazil. Moreover, the Brazilian producer's higher capacity utilization rate for overall seamless pipe products than for subject product indicates strong demand and sales of nonsubject product, contrary to any notion that the industry is likely to shift away from the production of those nonsubject products.

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<sup>196</sup> CR/PR at Table IV-12.

<sup>197</sup> See CR/PR at Table IV-12; CR at IV-22 n.21, PR at IV-14 n.21.

<sup>198</sup> CR/PR at Table IV-12.

<sup>199</sup> CR/PR at Table IV-12.

<sup>200</sup> See CR/PR at Table IV-26.

<sup>201</sup> CR/PR at Table IV-12.

<sup>202</sup> CR/PR at Table IV-12. In 1994, Brazil's capacity to produce seamless SLP pipe was \*\*\* short tons. Original Staff Report at I-65. Brazil's capacity is forecast to be \*\*\* short tons in 2006 and to grow \*\*\* to \*\*\* short tons in 2007 and 2008. CR/PR at Table IV-13.

<sup>203</sup> CR/PR at Table IV-12.

<sup>204</sup> CR/PR at Table IV-12.

<sup>205</sup> CR at IV-28, PR at IV-14; see CR/PR at Table IV-15.

<sup>206</sup> CR/PR at Table IV-15.

<sup>207</sup> V&M Brazil's end of period inventories fell from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. They were \*\*\* short tons in Jan.-Sept. 2005 and \*\*\* short tons in Jan.-Sept. 2006. These inventories were equivalent to \*\*\* of total shipments in 2001 and \*\*\* percent in 2005. CR/PR at Table IV-12.

Thus, we do not find it likely that V&M Brazil will engage in significant product shifting in the reasonably foreseeable future.

Nor do we find that V&M Brazil's affiliation with VMD, a German producer of seamless SLP pipe, indicates that the likely volume of subject imports would be significant. Our reasons why corporate affiliations alone do not provide a sufficient basis for a finding of likely increased imports are discussed above with respect to our likely volume finding for subject pipe imports from Argentina.

V&M Brazil's seamless SLP exports are not subject to any tariff or non-tariff barriers in any country.<sup>208</sup> For the 2001 to 2005 period generally, and the interim periods in particular, there is no evidence that Brazil's exports to third-country markets have been displaced by Chinese exports. Although Brazil's exports to third-country markets declined in 2005, exports to third-country markets in interim 2006 rebounded to levels consistent with the full year periods from 2001 to 2004.<sup>209</sup>

In light of the foregoing, any volume of subject imports from Brazil that may occur upon revocation of the order is not likely to be significant in the reasonably foreseeable future, particularly in light of the continued growth that is likely in the U.S. market.

## **2. Likely Price Effects of the Subject Imports**

In the original investigations, Brazilian product was priced lower than domestic product in 44 of 62 quarterly price comparisons, with underselling margins ranging from \*\*\* percent to \*\*\* percent.<sup>210</sup> In the first reviews, there were \*\*\* subject imports from Brazil, and the Commission therefore obtained no pricing data with respect to subject pipe imports from Brazil.<sup>211</sup> Subject imports from Brazil were minimal in these second reviews, and only limited pricing data are available.<sup>212</sup>

We incorporate by reference our findings above with respect to current price levels in the U.S. market, the lack of any current cost-price squeeze and the attractiveness of other markets. For these reasons, as well as sustained strong U.S. demand and our determination that revocation of the order as to Brazil is not likely to result in significantly increased volumes of imports of subject merchandise, we find that revocation of the order is not likely to lead to significant underselling or to significant price suppressing or depressing effects by reason of subject imports from Brazil.

## **3. Likely Impact of the Subject Imports**

We incorporate by reference our above discussion and findings with respect to the condition of the domestic industry. In addition, in view of our findings regarding the likely volume and price effects of subject imports from Brazil, we find that subject imports from Brazil would not be likely to have a significant adverse impact on the domestic industry's output, sales, market share, profits, or return on investment, if the order were revoked. Demand in the U.S. market is projected to remain sufficiently strong such that the small volume of subject imports that would be likely upon revocation would not be likely to have a significant adverse impact on the domestic industry. Therefore, we find that revocation of the antidumping duty order on subject imports from Brazil is not likely to lead to the continuation or recurrence of material injury to the U.S. seamless SLP pipe industry within a reasonably foreseeable time.

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<sup>208</sup> V&M Brazil's Foreign Producer Questionnaire, section II-12.

<sup>209</sup> CR/PR at Table IV-12.

<sup>210</sup> CR/PR at Table V-4.

<sup>211</sup> First Reviews Staff Report at V-9.

<sup>212</sup> CR at V-6, PR at V-5.

**F. Revocation of the Orders on Subject Imports of Seamless SLP Pipe from Germany Is Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

**1. Likely Volume of the Subject Imports**

In the original investigations, subject imports from Germany declined from \*\*\* short tons in 1992 to \*\*\* short tons in 1993, then increased to \*\*\* short tons in 1994.<sup>213</sup> In the first reviews, these imports decreased from \*\*\* short tons in 1995 to \*\*\* short tons in 2000.<sup>214</sup> In these second reviews, subject imports from Germany rose from \*\*\* short tons in 2001 to \*\*\* short tons in 2005.<sup>215</sup>

In evaluating the likely volume of subject imports from Germany if the order is revoked, we consider the size of the German seamless SLP pipe industry, its large and growing excess capacity, and the \*\*\* decline in sales to its primary markets in recent years. Additionally, the German industry has had only limited success in cultivating new markets, and \*\*\*. Based on these and other considerations, we find that the likely volume of subject imports from Germany would be significant if the order is revoked.

With an annual production capacity of \*\*\* short tons between 2001 and 2005, the German seamless SLP pipe industry is \*\*\* larger than the combined industries of Argentina and Brazil.<sup>216</sup> Moreover, German capacity to produce the subject product was higher in Jan.-Sept. 2006 than in Jan.-Sept. 2005 (\*\*\* short tons compared to \*\*\* short tons), and is projected to increase to \*\*\* short tons in 2006 and to \*\*\* short tons in 2007, with further increases projected in both 2007 and 2008.<sup>217</sup>

At the beginning of the period of review, the German home market and the European Union (“EU”) were the Germany industry’s principal markets, accounting for \*\*\* percent of its shipments of seamless SLP pipe in 2001.<sup>218</sup> By 2005, however, the industry’s shipments to the home market had fallen by \*\*\* percent, while shipments to the rest of the EU fell by nearly \*\*\*.<sup>219</sup> Collectively, German producers’ annual shipments to these markets fell by more than \*\*\* short tons.<sup>220</sup> While the German producers sought out new export markets, they have to date achieved only limited success, offsetting only

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<sup>213</sup> CR/PR at Table I-3. In the original investigations, only one of three German manufacturers of seamless SLP pipe, Mannesmanroehren-Werke, responded to the Commission’s questionnaire. One producer, Rohrwerke, \*\*\*. Original Staff Report at I-66 & n.92. It is unclear what percentage of the industry was represented by the responding German producer. However, we note that this producer is the predecessor of VMD, which currently accounts for nearly \*\*\* percent of production in Germany. CR/PR at Table IV-16.

<sup>214</sup> CR/PR at Table I-3. In the first reviews, data were provided by VMD, which reported that it accounted for \*\*\* percent of total German production of subject product. First Reviews Staff Report at IV-12.

<sup>215</sup> CR/PR at Table I-3.

<sup>216</sup> CR/PR at Table IV-18 (German capacity \*\*\* short tons in 2005), Table IV-7 (Argentine capacity \*\*\* short tons in 2005), and Table IV-12 (Brazilian capacity \*\*\* short tons in 2005).

<sup>217</sup> CR/PR at Tables IV-18, IV-19. VMD expects to \*\*\* production capacity by \*\*\* in its Muelheim plant \*\*\*, and Rohrwerk plans to invest \*\*\* in 2006-07 to \*\*\*. Benteler did not report any changes in production or operations, or anticipated changes. CR at IV-30, PR at IV-15.

<sup>218</sup> CR/PR at Table IV-18.

<sup>219</sup> Figures derived from CR/PR at Table IV-18.

<sup>220</sup> Figures derived from CR/PR at Table IV-18.

about \*\*\* of the volume lost in their primary markets.<sup>221</sup> Thus, while the industry's capacity was \*\*\* short tons from 2001 to 2005, its total shipments fell from \*\*\* short tons to \*\*\* short tons, and while its capacity increased from \*\*\* short tons to \*\*\* short tons between the interim periods, total shipments again fell, from \*\*\* short tons to \*\*\* short tons.<sup>222</sup> Moreover, there remain difficult challenges for the German producers in important markets. The \*\*\*.<sup>223</sup> That \*\*\*.<sup>224</sup>

As a result of the \*\*\* loss of sales, the German industry's capacity utilization fell from \*\*\* percent in 2001 to \*\*\* percent in 2005. German capacity utilization was also lower in Jan.-Sept. 2006 than in Jan.-Sept. 2005 (\*\*\* percent compared to \*\*\* percent).<sup>225</sup> In 2005, the industry's excess capacity represented \*\*\* short tons, equivalent to \*\*\* percent of apparent U.S. consumption in that year.<sup>226</sup> Considering that capacity utilization was lower in Jan.-Sept. 2006 than in Jan.-Sept. 2005, and that the industry added capacity in 2006, with further increases due in 2007 and 2008, it is likely that the German industry's excess capacity will remain large, and perhaps increase, in the reasonably foreseeable future. We consider the loss of sales volumes and sharply lower capacity utilization to demonstrate that the German industry has a strong motivation to increase shipments to new markets, an effort that has met with only limited success to date.

The record also indicates that the United States is an attractive market for the German producers. For the broader category of all seamless tubular products reported by Metal Bulletin Research, the U.S. market is a very large market, larger than that represented by Europe or Japan.<sup>227</sup> It is likely, therefore, that the U.S. market for subject seamless pipe is likewise comparatively large, consistent with testimony received at the Commission's hearing.<sup>228</sup> Moreover, the German industry's AUVs for home market shipments are \*\*\* lower than those received on sales to export markets.<sup>229</sup> Finally, as noted above, the

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<sup>221</sup> Figures derived from CR/PR at Table IV-18. Germany's exports to China increased from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. Its exports to other Asian markets increased from \*\*\* short tons to \*\*\* short tons during that period, and its exports to all other markets increased from \*\*\* short tons in 2001 to \*\*\* short tons during that period. CR/PR at Table IV-18.

<sup>222</sup> CR/PR at Table IV-18.

<sup>223</sup> \*\*\*.

<sup>224</sup> \*\*\*.

<sup>225</sup> CR/PR at Table IV-18.

<sup>226</sup> Compare CR/PR at Table IV-18 with CR/PR at Table I-11.

<sup>227</sup> In 2005, the U.S. market for all seamless tubular products was about \*\*\* tonnes, compared to Japan (about \*\*\* excluding stainless) and Europe (defined as Austria, the Czech Republic, France, Germany, Greece, Italy, Norway, Poland, Romania, Spain, Sweden, and the UK) (about \*\*\* tonnes). Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 18 (Mar. 2007) at 3, 6 and 8.

<sup>228</sup> Tr. at 31 (Mr. Vaughn), 46 (Mr. Verellen) and 58 (Mr. Durham).

<sup>229</sup> For example, Germany's AUVs for shipments to its home market was \$\*\*\* in 2005, while it was \$\*\*\* to the United States, \$\*\*\* to the EU, \$\*\*\* to China, \$\*\*\* to other Asian markets, and \$\*\*\* to all other markets. CR/PR at Table IV-18. By contrast, Argentine and Brazilian producers had higher AUVs in their home markets than in export markets. See CR/PR at Tables IV-7, IV-17. While we are cognizant of product mix concerns, the differences in AUVs provide some indication that Germany's home market shipments are at lower prices for comparable product, are of lower value items, or some combination thereof.



\*\*\* that the U.S. market is attractive, and \*\*\* the antidumping duty order under review is the reason \*\*\* not selling in greater volumes in the United States.<sup>230</sup>

In sum, the record indicates that the large German seamless SLP pipe industry has sustained major losses in sales volumes to its primary markets in recent years. The industry's efforts to find new markets have met with only limited success to date, with the result that the German producers have experienced a steep reduction in capacity utilization: unused capacity was equivalent to nearly \*\*\* the U.S. market in 2005. As the German industry continues to seek out new opportunities to expand sales, the United States presents a large and attractive market, \*\*\*. Moreover, \*\*\*. For these reasons, we conclude that the likely volume of subject imports from Germany would be significant if the order is revoked.

Although Benteler (which accounted for \*\*\* percent of production in Germany in 2005) argued that it primarily produces in smaller sizes that it does not export to the United States,<sup>231</sup> the German industry as a whole produces seamless SLP pipe in a range of sizes.<sup>232</sup> In addition, Benteler argued that it plans to ship only "niche" products to the U.S. market that are not produced by the domestic producers to the extent it will ship subject merchandise to the United States.<sup>233</sup> However, Benteler admitted that it is "not your typical pipe and tube producer."<sup>234</sup> Further, Benteler argues that in 2007 it will continue its pattern of exporting primarily to the \*\*\*,<sup>235</sup> where it has \*\*\*.<sup>236</sup> Notwithstanding Benteler's projection and its long-term commitments, we find it likely, in view of the expected need of the German industry as a whole to find additional markets for its seamless SLP pipe in the face of large and increasing excess capacity as described above, that German producers will ship significant volumes of various sizes of pipe to the United States that are not limited to "niche" products.<sup>237</sup>

VMD's subject pipe exports are subject to additional tariffs in Argentina, which were imposed before 2001.<sup>238</sup> As VMD is, \*\*\*, Germany's \*\*\* producer of seamless SLP pipe,<sup>239</sup> and as it is planning \*\*\*, the Argentine tariffs are another reason that the German industry will likely increase exports of subject pipe to the United States upon revocation of the order.

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<sup>230</sup> \*\*\*, Tr. at 244 (Mr. Herminghaus) (Benteler exporting seamless pipe to Canada but not the United States as a result of the antidumping duty order); Benteler's Posthearing Brief at Supplemental Information at 2 (Benteler's exports to Canada during Jan.-Sept. 2006 totaled \*\*\* short tons).

<sup>231</sup> Tr. at 190 (Mr. Herminghaus). We note that only \*\*\* exported seamless SLP pipe to the United States during these second reviews. CR at IV-30, PR at IV-15. However, as noted above, Benteler states that it expects to ship subject pipe to the United States upon revocation of the order.

<sup>232</sup> See CR/PR at Table IV-20.

<sup>233</sup> See Benteler's Posthearing Brief at 10, Tr. at 190 (Mr. Herminghaus).

<sup>234</sup> Tr. at 190 (Mr. Herminghaus).

<sup>235</sup> Benteler's Prehearing Brief at 8.

<sup>236</sup> Benteler's Posthearing Brief at 5.

<sup>237</sup> With the amount of excess capacity they have currently and the amount of capacity they will have by the end of 2007, it appears that German producers would not need to abandon their longstanding customers in order to increase significantly shipments to the United States.

<sup>238</sup> VMD's Foreign Producer Questionnaire, section II-12. Benteler and Rohwerk are not subject to any additional tariffs in other countries.

<sup>239</sup> CR/PR at Table IV-16.

We note that there were no inventories of German subject pipe during the period of review.<sup>240</sup> In addition, for the same reasons we did not find product shifting from OCTG to seamless SLP pipe to be likely by the Argentine producer – namely, the higher prices OCTG commands – we do not find it to be likely with respect to the German producers. Thus, we do not rely on this factor in making our finding regarding likely volume of subject imports.

In view of the foregoing, we find that the likely volume of subject imports from Germany would be significant in the reasonably foreseeable future if the antidumping duty order were revoked.

## 2. Likely Price Effects of the Subject Imports

In the original investigations, German product was priced lower than domestic product in 21 of 33 quarterly price comparisons; underselling margins ranged from \*\*\* percent to \*\*\* percent.<sup>241</sup> In the first reviews, the Commission obtained no pricing data with respect to subject pipe imports from Germany.<sup>242</sup> Only limited pricing data were provided for German seamless SLP pipe during these second reviews.<sup>243</sup>

As explained above, we find it likely that German subject pipe producers will ship significant volumes of subject pipe to the United States in the event of revocation of the order. Also as stated above, seamless SLP pipe is a product that is generally substitutable and for which price is important in purchasing decisions. Thus, to gain additional market share, the German producers will be required to undersell the domestic product. In fact, \*\*\*.’’<sup>244</sup> This contrasts with the subject pipe producers in Argentina and Brazil, whom we found lack incentive to attempt to gain any significant increase in market share in the United States.<sup>245</sup>

It was argued that, because prices in the U.S. market have increased despite a concurrent increase in the volume of nonsubject imports, an increase in the volume of subject imports from Germany would not be likely to have significant price depressing or price suppressing effects in the reasonably foreseeable future.<sup>246</sup> As an initial matter, the record indicates that China accounted for 79.0 percent of the increase in nonsubject import volumes.<sup>247</sup> Nonsubject imports from China are not a good basis for projecting the effects of subject imports from Germany, given evidence of differences between the two. \*\*\*, is found on \*\*\* approved manufacturers lists (“AMLs”) available to the Commission, \*\*\*.<sup>248</sup> By contrast, only

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<sup>240</sup> CR/PR at Table IV-18.

<sup>241</sup> CR/PR at Table V-4.

<sup>242</sup> First Reviews Staff Report at V-9.

<sup>243</sup> CR at V-6, PR at V-5 - V-6.

<sup>244</sup> \*\*\*.

<sup>245</sup> \*\*\*. Based on our finding that the likely volume of subject imports from Argentina would not be significant if the order is revoked, we do not conclude that subject imports from that country would be likely to have significant price depressing or price suppressing effects, as explained above.

<sup>246</sup> See Benteler’s Prehearing Brief at 12; CR/PR at Table IV-1, V-2 - V-3.

<sup>247</sup> From 2001 to 2005, imports from China increased by 17,232 short tons, while total nonsubject import volumes (include those from China) increased by 21,817 short tons. CR/PR at Table IV-2. The figure 17,232 is 79.0 percent of the figure 21,817.

<sup>248</sup> CR/PR at Tables II-4, IV-16.

three AMLs include a single Chinese producer, \*\*\*.<sup>249</sup> In the same vein, witnesses for the domestic industry testified at the Commission’s hearing that while the quality of the subject products made in Germany are “second to none” and “instantly acceptable to all customers,”<sup>250</sup> imports from China, despite some high quality producers, are still “improving in quality,”<sup>251</sup> and “mov[ing] up the value chain.”<sup>252</sup> These witnesses also testified that some customers rely on AMLs or “are otherwise reluctant to purchase from unknown quantities such as China.”<sup>253 254</sup>

Even if nonsubject imports from China, or as a whole, were a good proxy for subject imports from Germany, the record still does not support the assertion suggested to us. From 2001 to 2005, the volume of nonsubject imports increased irregularly from 96,667 short tons to 118,484 short tons.<sup>255</sup> The largest annual increase occurred from 2003 to 2004 (38,450 short tons) and nonsubject volumes were similarly 35,705 short tons higher in Jan.-Sept. 2006 than in Jan.-Sept. 2005.<sup>256</sup> Over the same periods, however, there were \*\*\* larger increases in apparent U.S. consumption (which was \*\*\* short tons higher in 2004 than in 2003, and \*\*\* short tons higher in Jan.-Sept. 2006 than in Jan.-Sept. 2005).<sup>257</sup> In each case, therefore, the increase in nonsubject import volumes was substantially more than offset by increases in apparent U.S. consumption. Price declines are not to be expected in such an environment.

No similar increases in demand are forecast for the reasonably foreseeable future. While demand in the U.S. is projected to remain strong, it is not forecast to change substantially and may even be somewhat lower than in recent years.<sup>258</sup>

Thus, the record does not indicate that the large likely increase in subject imports from Germany will be offset by a similarly large increase in demand. Additionally, Commerce has found that subject imports from Germany are likely to be sold at LTFV.<sup>259</sup> Absent a large increase in consumption, and given that subject imports are generally substitutable with the domestic like product,<sup>260</sup> the German producers, which have sustained a \*\*\* decline in sales and increase in unused capacity, will likely lower

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<sup>249</sup> CR/PR at Table II-4.

<sup>250</sup> Tr. at 46 (Mr. Verellen).

<sup>251</sup> Tr. at 65 (Mr. Stoner).

<sup>252</sup> Tr. at 20 (Mr. Hecht), 54 (Mr. Leland).

<sup>253</sup> Tr. at 63 (Mr. Stoner).

<sup>254</sup> With respect to nonsubject imports as a whole, although a majority of purchasers considered that product and the German product comparable in most respects, four of eight rated the German product superior in reliability of supply and three of eight rated the German product superior in consistency (the others judged them comparable). CR/PR at Table II-8. Large majorities of purchasers rated reliability of supply and consistency as “very important” purchasing factors. CR/PR at Table II-5. These reports indicate that a substantial portion of purchasers continue to perceive differences between the German and nonsubject product.

<sup>255</sup> CR/PR at Table C-1.

<sup>256</sup> Figures derived from CR/PR at Table C-1.

<sup>257</sup> Figures derived from CR/PR at Table C-1.

<sup>258</sup> CR/PR at Tables II-1, II-2; CR/PR at Figure II-4; CR at II-16, II-19, PR at II-11.

<sup>259</sup> 71 Fed. Reg. 59,079, 59,081.

<sup>260</sup> CR/PR at Tables II-6 (strong majorities of U.S. producers, importers, and purchasers reporting that the German and U.S. product are “always” or “frequently” used interchangeably) and II-7 (all U.S. producers reporting that differences other than price between the German and U.S. produce are “never” significant, and all U.S. importers reporting that such differences were “sometimes” or “never” significant).

prices in order to regain market share, \*\*\*. For these reasons, we find that the likely significant volumes of subject imports from Germany and the likely significant underselling would likely have significant price depressing or price suppressing effects on prices for the domestic product, even if past increases in nonsubject volumes have not.

### **3. Likely Impact of the Subject Imports<sup>261</sup>**

We concluded above that revocation of the antidumping duty order with respect to Germany likely would lead to significant increases in the volume of subject imports that would undersell the domestic like product and significantly depress or suppress U.S. prices. As we noted in our discussion of the likely impact of subject imports from Argentina, we attribute the domestic industry's gains in profitability to strong prices and demand. However, although demand is projected to remain strong, it is not likely to increase at a rapid rate, as explained above. Further, as also explained above, the volumes of subject imports from Germany are likely to be substantial upon revocation of the order. The likely substantial volume and price effects of the subject imports from Germany, unlike those from Argentina and Brazil, would be sufficient to have a significant negative impact on the production, shipments, sales, market share, and revenues of the domestic industry, despite its lack of vulnerability. This reduction in the industry's production, shipments, sales, market share, and revenues would adversely affect the industry's profitability and ability to raise capital and maintain necessary capital investments. Therefore, we find that revocation of the order on subject imports from Germany would be likely to have a significant adverse impact on the domestic industry and find further that revocation of the order is likely to lead to the continuation or recurrence of material injury to the U.S. seamless SLP pipe industry within a reasonably foreseeable time.

### **CONCLUSION**

For the foregoing reasons, we conclude that revocation of the antidumping duty orders on seamless SLP pipe from Argentina and Brazil would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. We further conclude that revocation of the antidumping duty order on seamless SLP pipe from Germany would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

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<sup>261</sup> We have described above, in our discussion of with respect to Argentina, our vulnerability analysis as well as presented our analysis of the impact factors. We adopt that discussion for the purposes of our discussion of the impact of subject imports from Germany.

**ADDITIONAL AND DISSENTING VIEWS OF CHAIRMAN DANIEL R. PEARSON AND  
COMMISSIONER DEANNA TANNER OKUN REGARDING GERMANY**

**I. INTRODUCTION<sup>1 2</sup>**

Based on the record in this second five-year review, we determine that material injury is not likely to continue or recur within a reasonably foreseeable time if the antidumping duty order on subject imports of certain seamless carbon and alloy steel standard, line, and pressure pipe (SLP pipe) from Germany is revoked.

We join our colleagues' discussion regarding domestic like product, domestic industry, the legal standard governing five-year reviews, cumulation, conditions of competition, and the analysis of the statutory factors for Argentina and Brazil. We write separately to discuss our analysis of the statutory factors with regard to Germany.

**II. REVOCATION OF THE ORDER ON SUBJECT IMPORTS FROM GERMANY IS NOT LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME<sup>3</sup>**

**A. Likely Volume of Subject Imports**

The Commission received complete foreign producers' questionnaire responses from all three known producers of the subject product in Germany, Benteler Stahl/Rohr GmbH (Benteler), Rohrwerk Neue Maxhuetten GmBH (Rohrwerk), and V&M Deutschland GmbH (VMD).<sup>4</sup> Comparisons between the data on the German industry for the current period of review and prior periods are of limited utility because the Commission lacked complete data for the German industry in the original investigations and the first reviews.<sup>5</sup>

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<sup>1</sup> The Commission's affirmative determination in the first reviews on Argentina, Brazil, and Germany was reviewed by the Court of International Trade. The Court sustained the Commission's affirmative determination in part and remanded it in part for clarification regarding the standard of "likeness" employed, and if an improper standard was used, reconsideration in light of the proper standard. The Court also directed the Commission to identify whether it was economically feasible for subject producers to engage in product-shifting, to identify the weight it gave to the impact of international corporate affiliations, to further explain the importance of price in purchasing decisions, to clarify its position with regard to price suppression and depression, and to further discuss and explain why increasingly positive market indicators did not defeat a finding of vulnerability to material injury. *Siderca, S.A.I.C. v. United States*, 350 F. Supp.2d 1223, 1243 (Ct. Int'l Trade 2004).

<sup>2</sup> In light of the Court of International Trade's instructions on the interpretation of the likely standard Commissioner Okun found that she could not conclude that revocation of the orders would be more likely than not to lead to continuation or recurrence of material injury within a reasonably foreseeable time and therefore changed her determination from affirmative to negative. See Additional Views of Vice Chairman Deanna Tanner Okun Concerning the "Likely" Standard, *Siderca, SAIC v. United States and United States Steel Corp*, Ct. No. 01-00603, January 24, 2005, remand determinations.

<sup>3</sup> Vice Chairman Okun and Commissioner Pearson determined on remand that revocation of the orders on Argentina, Brazil, and Germany, on a cumulated basis, was not likely to result in the continuation or recurrence of material injury. See Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson, *Siderca, SAIC v. United States and United States Steel Corp*, Ct. No. 01-00603, January 24, 2005, remand determinations.

<sup>4</sup> CR at IV-29, PR at IV-15.

<sup>5</sup> See CR/PR Table IV-17.

In the original investigations, the Commission found that, on a cumulated basis, subject import volume from Argentina, Brazil, Germany, and Italy was significant.<sup>6</sup> Subject imports from Germany, however, declined irregularly over the period of the original investigation. Subject import volume was \*\*\* short tons in 1992, \*\*\* short tons in 1993, and \*\*\* short tons in 1994.<sup>7</sup> Subject import market share also declined irregularly from \*\*\* percent in 1992 to \*\*\* percent in 1994.<sup>8</sup>

In the first review, the Commission found that, on a cumulated basis, subject import volume from Argentina, Brazil, and Germany were likely to be significant based on the potential for product shifting, that prices in the U.S. market was generally higher than in third-country markets, that subject producers relied heavily on export markets, and that transnational affiliations enhanced subject producers' ability to resume exports to the U.S. market.<sup>9</sup>

In our remand determinations, we found that although capacity utilization rates for total seamless pipe production were somewhat lower than capacity utilization for subject seamless SLP pipe product, subject producers had not engaged in product shifting and the record indicated that subject producers have optimum production patterns from which they did not significantly deviate.<sup>10</sup> Additionally, we found that although U.S. prices for seamless SLP may have been higher than prices in third-country markets the record did not indicate that if the orders were revoked U.S. prices would remain sufficiently higher so as to induce subject producers to shift export markets.<sup>11</sup>

On the record of this review, we find evidence of a German industry focused on serving its home and EU market. Further, strong global demand for all seamless pipe and high prices in the EU market reduce incentives to engage in product shifting or shift export markets to target the U.S. market.

Production capacity for the German industry was unchanged during the 2001 to 2005 period at \*\*\* short tons; however, it is projected to increase to \*\*\* short tons in 2007.<sup>12 13</sup> Capacity utilization for the subject product declined during from \*\*\* percent in 2001 to \*\*\* percent in 2005.<sup>14</sup> However, as noted above in the Commission's discussion of conditions of competition, reported production capacity for the subject pipe reflects the allocation of total capacity to produce seamless pipe on shared equipment. Therefore, the ultimate constraint on a producer's ability to increase production is its total capacity for all seamless pipe. We have, therefore, also evaluated the German industry's overall capacity utilization rates. Capacity utilization for all seamless pipe products is currently \*\*\* high, at \*\*\* percent in 2005 and \*\*\* percent in the January-September 2006 period.<sup>15</sup> Evaluating the capacity utilization rates in the context of the other record evidence regarding global demand and prices we conclude that subject producers in Germany have moderate total excess capacity.

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<sup>6</sup> Original Views (confidential) at 41-42.

<sup>7</sup> CR/PR at Table I-3.

<sup>8</sup> CR/PR at Table I-3.

<sup>9</sup> First Reviews Views (confidential) at 24-27.

<sup>10</sup> Remand Views (confidential) at 10-11.

<sup>11</sup> Remand Views (confidential) at 12.

<sup>12</sup> CR/PR at Table IV-18.

<sup>13</sup> CR/PR at Table IV-19.

<sup>14</sup> CR/PR at Table IV-18

<sup>15</sup> CR/PR at Table IV-18 and Table IV-21.

Subject product cannot be shipped to the U.S. market out of inventory because subject German producers reported \*\*\* inventories.<sup>16</sup> U.S. importers reported \*\*\* inventories of subject product in interim 2006.<sup>17</sup>

Although subject producers in Germany have some excess capacity, we do not find that it is likely that subject producers will direct that excess capacity at the U.S. market. The industry in Germany is strongly focused on serving its home market and the EU market. Although the German industry's share of total shipments to the EU market declined somewhat from 2001 to 2005, it remains strongly focused on serving the EU market. In 2005, \*\*\* percent of total shipments were to its home market or other EU Member States.<sup>18</sup> This share was \*\*\* percent in the interim 2006 period.<sup>19</sup> Further, the available data on prices for the in the EU market indicate that such prices for API 5LB line pipe (a representative product) have remained higher than or comparable to prices in the U.S. market since at least October 2005.<sup>20</sup>

While we recognize that comparisons of average unit values are complicated by potential differences in product mix, the available data indicate that the average unit values of subject German producers' shipments to other export markets were higher than or comparable to the average unit value of exports to the U.S. market in 2005.<sup>21</sup> <sup>22</sup> Finally, although the domestic industry has alleged that Chinese exports are forcing subject producers' exports out of third-country markets, there is limited record evidence that such displacement is actually taking place.<sup>23</sup> Indeed, subject German producers have increased the share of total shipments to Asian and other export markets from \*\*\* and \*\*\* percent of total shipments in 2001 to \*\*\* and \*\*\* percent in 2005, respectively.<sup>24</sup> Based on the foregoing, German producers have no economic incentive to shift product from its home or EU market to the U.S. market.

Consistent with the Commission's discussion of the likely volume of subject imports from Argentina and Brazil, we do not find it likely that subject producers in Germany will engage in product shifting in order to direct exports of the subject product to the U.S. market. Indeed, the available data indicate that subject producers in Germany are shifting away from the production of the subject pipe. German production of the subject product declined from \*\*\* percent of total seamless pipe production in interim 2005 to \*\*\* percent of total seamless pipe production in interim 2006.<sup>25</sup> Further, prices for alternative seamless pipe products (i.e. OCTG) remain higher than prices for SLP pipe.<sup>26</sup> In interim 2005, OCTG production accounted for approximately \*\*\* percent of total seamless pipe production and

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<sup>16</sup> CR/PR at Table IV-18.

<sup>17</sup> CR/PR at Table IV-5.

<sup>18</sup> CR/PR at Table IV-18.

<sup>19</sup> CR/PR at Table IV-18.

<sup>20</sup> CR/PR at Table IV-26.

<sup>21</sup> CR/PR at Table IV-18.

<sup>22</sup> We note that U.S. imports from other Western European countries, which may face similar conditions of competition as subject producers in Germany, have remained at moderate levels from 2001 to 2005. CR/PR at Table IV-2 and hearing transcript at 81-82 (Mr. Binder). We also note that the domestic industry has reported that such imports are not negatively affecting the U.S. market. Hearing transcript at 81 (Mr. Leland).

<sup>23</sup> Domestic Industry prehearing brief at 45.

<sup>24</sup> We note that the with respect to barriers to the importation of seamless SLP pipe from Germany into other countries, one subject producer \*\*\*, that its shipments of seamless SLP face duties of 16 percent plus an additional 12 percent in Argentina. \*\*\* Foreign Producers' Questionnaire response to question II-12 (a).

<sup>25</sup> CR/PR at Table IV-21.

<sup>26</sup> CR/PR at Figure IV-1.

approximately \*\*\* percent of all seamless pipe production with an outside diameter of less than 4.5 inches.<sup>27</sup> These shares increased to approximately \*\*\* and \*\*\* percent in interim 2006, respectively.

We are mindful that the subject producer \*\*\* has \*\*\*.<sup>28</sup> We do not, however, find such a statement to be sufficient to justify a finding that the likely volume of subject imports from Germany will be significant given the totality of the record evidence. As an initial matter, while \*\*\* reported that there would be \*\*\* the absolute volume of such increased exports is not likely to be significant relative to current U.S. production and consumption.<sup>29</sup> \*\*\* projected an increase in exports to the U.S. market in 2007 from \*\*\* short tons to \*\*\* short tons if the order is revoked. For the German industry as a whole, exports to the U.S. market in 2007 are projected to increase from \*\*\* short tons to \*\*\* short tons if the order is revoked.<sup>30</sup> While these increases in exports to the U.S. market may constitute a \*\*\* the projected volume of exports to the U.S. market is equivalent to only \*\*\* percent of 2005 U.S. apparent consumption and \*\*\* percent of 2005 U.S. production.

Thus, while there may be a moderate increase in the volume of subject imports from Germany if the order is revoked, we find that under the market conditions likely to exist in the reasonably foreseeable future, including strong demand and prices globally, given that subject producers have only moderate amounts of excess capacity, have \*\*\* inventories, and have little economic incentives to engage in product shifting or to shift exports to the U.S. market, thus, we do not find it likely that the volume of subject imports upon revocation would be significant, either in absolute terms or relative to production or consumption in the U.S. market.

## **B. Likely Price Effects**

In the original investigation, the Commission found that cumulated subject imports from Argentina, Brazil, Germany, and Italy significantly undersold the domestic like product and caused significant price depression and suppression.<sup>31</sup>

In the first reviews, the Commission found that there was a strong incentive for cumulated subject imports to compete on the basis of price to capture sales in the U.S. market.<sup>32</sup> The Commission found that given the likely volume of cumulated subject imports upon revocation of the orders, cumulated subject imports would likely have significant depressing and suppressing effects on prices for the domestic like product.

In our remand determination, we found that while subject imports might enter the market at prices that undersold the domestic like product, such underselling was not likely to be significant or lead to significant price depression or suppression.<sup>33</sup> We found because of strong U.S. consumption and the likelihood of continued increases in consumption, that prices for the domestic like product would remain relatively strong.<sup>34</sup>

We adopt the Commission's discussion of price trends for the period of review presented with respect to Argentina and Brazil. In particular, we note that prices for SLP pipe in the U.S. market have

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<sup>27</sup> CR/PR at Table IV-21.

<sup>28</sup> \*\*\* Foreign Producers' Questionnaire responses to questions II-3, II-14, and II-15.

<sup>29</sup> \*\*\* Foreign Producers' Questionnaire, response to question II-4.

<sup>30</sup> CR/PR at Table IV-19.

<sup>31</sup> Original Views (confidential) at 43-45.

<sup>32</sup> First Reviews Views (confidential) at 27-28.

<sup>33</sup> Remand Views (confidential) at 15.

<sup>34</sup> Remand Views (confidential) at 16.



increased \*\*\*, particularly between 2004 and 2006. We note that as a result, current U.S. prices \*\*\* exceed those reported during the first reviews.<sup>35</sup>

The Commission gathered product-specific price data on four products. Prices for all four products increased \*\*\*.<sup>36 37</sup> Prices globally have increased and remained high. We note that these \*\*\* increases in prices in the U.S. market took place even as the volume of non-subject imports increased \*\*\*, and the industry's costs rose \*\*\*.<sup>38 39</sup> The \*\*\* increase in prices resulted in a decline in the ratio of the domestic industry's COGS/sales from \*\*\* percent in 2001 to \*\*\* percent in 2005.<sup>40</sup> This ratio remained extremely low at \*\*\* percent in interim 2006.<sup>41</sup> Thus, we observe that the industry has been able to increase prices well in excess of increases in its costs. Because these increases have occurred even while total imports were increasing and at a time of strong demand, we do not attribute the strong prices to the presence of the order.

As noted in the Commission's discussion of the likely conditions of competition above, demand for SLP pipe both in the U.S. market and globally is expected to remain strong in the reasonably foreseeable future. This expected strong demand will continue to support high prices both in the U.S. market and globally.<sup>42</sup>

Because of the \*\*\* increase in U.S. prices even as non-subject import volume increased, the expectation for continued strong demand, and our determination that the volume of subject imports from Germany is not likely to be significant we do not find that a modest volume of subject imports from Germany upon revocation are likely to have significant price depressing or suppression effects on prices for the domestic like product, or to otherwise have significant negative effects on domestic prices.

### C. Likely Impact

In the original investigations the Commission found that despite the domestic industry's increases in market share, shipments, production, and capacity utilization, it experienced poor financial performance as a result of the price effects from subject imports.<sup>43</sup> The Commission therefore found a significant adverse impact by reason of subject imports.<sup>44</sup>

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<sup>35</sup> Compare First Reviews confidential staff report at Tables V-1 - V-4 and CR/PR at Tables V-2 and V-3.

<sup>36</sup> See CR/PR Tables V-2 and V-3 and Figure V-3.

<sup>37</sup> The domestic industry has argued that prices have weakened in the most recent months. We note that the industry has largely attributed this to inventory destocking that is estimated to last less than three months. Hearing transcript at 128 (Mr. Durham).

<sup>38</sup> CR/PR at Table IV-1.

<sup>39</sup> We note that the increases in U.S. prices occurred even though non-subject import prices, based on average unit values, were lower than U.S. prices. The average unit value of non-subject imports ranged between \*\*\* per short ton in 2001 to \*\*\* per short ton in 2005 while the average unit value of U.S. shipments ranged between \*\*\* in 2001 and \*\*\* in 2005. CR/PR At Table IV-1 and III-4.

<sup>40</sup> CR/PR at Table III-7.

<sup>41</sup> CR/PR at Table III-7.

<sup>42</sup> We note that the domestic industry is on record as stating that imports of the subject product from France, where VMD has a sister facility, are not negatively affecting prices in the U.S. market and that the domestic industry expects subject imports to compete in a manner similar to imports from France. Hearing transcript at 81 (Mr. Leland).

<sup>43</sup> Original Views (confidential) at 47-48.

<sup>44</sup> Original Views (confidential) at 47-48.

In the first reviews the Commission found that the likely volume and price effects of the cumulated subject imports would likely have a significant negative impact on the domestic industry.<sup>45</sup>

In our remand views we found that the domestic industry was not vulnerable. We found that the outlook for demand was good and that given that the likely volume of cumulated subject imports would not be significant, and that cumulated subject imports were not likely to have significant negative effects on prices for the domestic like product, found that revocation of the order was not likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.<sup>46</sup> We adopt the Commission's discussion with respect to vulnerability and the condition of the domestic industry presented in its discussion on Argentina and Brazil in this review.

Additionally, we note that while much of the domestic industry's improved profitability is a result of the \*\*\* increases in U.S. prices, the domestic industry has experienced increases in shipments and net sales volumes. In particular, the domestic industry's shipments and net sales volume in interim 2006, on an annualized basis, are \*\*\* high compared to prior levels from 2001 to 2005. On an annualized basis, U.S. shipment volume for 2006 is \*\*\* short tons and net sales volume is \*\*\* short tons.<sup>47</sup> This is the \*\*\* highest level of shipments and the \*\*\* level of net sales volumes reported by the domestic industry during the 2001 to 2005 period.

Consistent with our findings that the likely volume and likely price effects of subject imports from Germany will not be significant, we find that subject imports would not be likely to have a significant adverse impact on the domestic industry's output, sales, market share, profits, or return on investment, if the order were revoked. Based on the strong demand in the U.S. market and the strong condition of the domestic industry, the small volume of subject imports from Germany that would be likely upon revocation would not be likely to have a significant adverse impact on the domestic industry.

### III. CONCLUSION

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

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<sup>45</sup> First Reviews Views (confidential) at 27-28.

<sup>46</sup> Remand Views (confidential) at 18-19.

<sup>47</sup> \*\*\*. CR/PR at Tables III- 4 and III-7.

## DISSENTING VIEWS OF COMMISSIONER CHARLOTTE R. LANE

I join with my colleagues in Sections I and II of the majority Views. However, I write separately with regard to cumulation and the likelihood of continuation or recurrence of material injury if the orders on certain seamless carbon and alloy steel standard, line, and pressure pipe from Argentina, Brazil, and Germany are revoked.

Based on the record in these five-year reviews, I determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure pipe (“seamless pipe”) from Argentina, Brazil, and Germany would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### III. CUMULATION

#### A. Framework

Section 752(a) of the Act provides that:

the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.<sup>1</sup>

Cumulation is discretionary in five-year reviews. However, the Commission may exercise its discretion to cumulate only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.<sup>2</sup> Neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.<sup>3</sup> For this determination the Commission has generally considered the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.

To provide a framework for determining whether the imports compete with each other and with the domestic like product the Commission has generally considered four factors.<sup>4</sup> Only a “reasonable

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<sup>1</sup> 19 U.S.C. § 1675a(a)(7).

<sup>2</sup> 19 U.S.C. § 1675a(a)(7).

<sup>3</sup> SAA, H.R. Rep. No. 103-316, vol. I (1994).

<sup>4</sup> The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of subject  
(continued...)

overlap” of competition is required.<sup>5</sup> In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists.

In these reviews, the statutory requirement for cumulation that all of the seamless pipe reviews be initiated on the same day is satisfied.<sup>6</sup> As more fully explained below, based on the record, I find that subject imports from each of the three subject countries likely would have a discernible adverse impact on the domestic industry if the orders were revoked. I also find that subject imports from Argentina, Brazil, and Germany likely would compete with each other and the domestic like product if the orders were revoked. I do not find any significant differences in the conditions of competition among subject imports from Argentina, Brazil, and Germany nor do I find any persuasive reason that would lead me to conclude that I should not cumulate subject imports from all countries that meet the statutory criteria for cumulation. Therefore, I exercise my discretion to cumulate the likely volume and effects of subject imports from Argentina, Brazil, and Germany.

## **B. Analysis**

### **1. Likelihood of No Discernible Adverse Impact**

During the original period of investigation, 1992-94, subject imports from Argentina accounted for \*\*\* to \*\*\* percent of apparent U.S. consumption, while subject imports from Brazil accounted for \*\*\* to \*\*\* percent, and those from Germany accounted for \*\*\* to \*\*\* percent.<sup>7</sup> After the orders were imposed, the volume of subject imports declined significantly, and generally were relatively small during the periods examined in either the first reviews or the current second reviews.<sup>8</sup> Nevertheless, each subject country has displayed the intention and the ability to ship into the U.S. market in the past, prior to the imposition of orders, and each has had access to channels of distribution in the United States.<sup>9</sup>

Although their percentage of total production which is exported has declined to some degree since the last review, producers in each of the subject countries continue to export \*\*\* volumes of the

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<sup>4</sup> (...continued)

imports and the domestic like product; (3) the existence of common or similar channels of distribution for subject imports and the domestic like product; and (4) whether the subject imports are simultaneously present in the market.

<sup>5</sup> See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (CIT 1996); Wieland Werke, AG, 718 F. Supp. at 52 (CIT 1989) (“Completely overlapping markets are not required.”); United States Steel Group v. United States, 873 F. Supp. 673, 685 (CIT 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

<sup>6</sup> See Notice of Institution (Int’l Trade Comm’n); see also Notice of Initiation of Five-Year (“Sunset”) Reviews, 71 Fed. Reg. 31153 (June 1, 2006)(Dep’t of Commerce).

<sup>7</sup> CR/PR at Table I-3.

<sup>8</sup> CR/PR at Table I-3. I note, however, that subject imports from Germany still accounted for a not-insubstantial \*\*\* percent of the U.S. market in 1995, with entries of \*\*\* short tons. Ibid.

<sup>9</sup> CR at I-35; PR at I-28, I-29. The U.S. importer Tenaris Global Services (USA) Corp. (“Tenaris”), formerly known as “Siderca”, is a wholly owned subsidiary of Tenaris S.A. of Luxemburg. Tenaris SA has affiliations with seamless tube producers Dalmine (Italy), Siderca (Argentina), Algoma Tubes (Canada), Tavsá (Venezuela), Tamsa (Mexico), Silcotub (Romania), and NKK Tubes (Japan). The U.S. importer Vallourec & Mannesmann Tubes Corp. (“V & M Tubes”) is a wholly owned subsidiary of Vallourec & Mannesmann Tubes S.A. of Boulogne, France, which in turn is a wholly owned subsidiary of Groupe Vallourec. Vallourec & Mannesmann Tubes S.A. wholly owns V & M Tubes do Brazil (V & M Brazil”) and V & M Tubes Germany (“VMD”).

subject seamless pipe.<sup>10</sup> Total 2005 capacity for production of subject seamless pipe in the subject countries was \*\*\* short tons in Argentina, \*\*\* short tons in Brazil and \*\*\* short tons in \*\*\*.<sup>11</sup> In addition, producers in each of the subject countries produce other seamless pipe products on the same machinery used to produce the subject merchandise and can shift production between other products and the subject merchandise. In light of the prevailing conditions of competition in the U.S. market (including the importance of price considerations to purchasers and significant purchaser acceptance of seamless pipe from each of the subject countries),<sup>12</sup> I do not find that subject imports from any of the subject countries are likely to have no discernible adverse impact on the domestic industry.

## 2. Reasonable Overlap of Competition

In the original investigations concerning seamless pipe from Argentina, Brazil, and Germany,<sup>13</sup> the Commission found that subject imports from each of the subject countries competed with each other and with the domestic like product. Based on this finding, the Commission cumulated those subject imports. The Commission found that subject imports and the domestic like product were reasonably good substitutes, and that there were no significant quality differences between the domestic and imported product.<sup>14</sup> The Commission also determined that both the domestic and imported product competed directly for sales in the same geographic markets. It found that both the domestic and imported product were sold through similar channels of distribution, since both domestic producers and importers sold subject pipe predominantly to distributors who, in turn, resold it to end users and other distributors.<sup>15</sup> Finally, the Commission concluded that subject imports from all countries and the domestic product were simultaneously present in the U.S. market throughout the period of investigation.<sup>16</sup>

In these reviews, the domestic interested parties report that subject seamless SLP pipe is a much better substitute for U.S.-produced product than is nonsubject, particularly Chinese, product.<sup>17</sup> They reported that this is due in large part to the fact Chinese producers are not yet on the major “approved manufacturers lists” (AMLs), while subject producers are typically on the AMLs.<sup>18</sup>

Producers from the subject countries argued that they had little interest in the U.S. market. The Argentine producer Siderca asserted that it is now attempting to serve the market for new plant construction, while the U.S. market is mainly a market for repairs and plant expansions.<sup>19</sup> Benteler Steel, a German producer, reported that it was not on most major AMLs because AMLs are primarily for maintenance and repair projects for refineries and petrochemical plants, which is an area which it is not

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<sup>10</sup> In 2005, production of the subject product totaled \*\*\* short tons in Argentina (\*\*% percent of which was exported), \*\*\* short tons in Brazil (\*\*% percent of which was exported), and \*\*\* short tons in Germany (\*\*% percent of which was exported). CR and PR at Tables IV-6, IV-11, and IV-17.

<sup>11</sup> CR/PR at Tables IV-6, IV-11, IV-17.

<sup>12</sup> CR/PR at Tables II-4, II-5 and II-6.

<sup>13</sup> The original investigations also covered Italy. The order on seamless pipe from Italy, however, was revoked following the first five-year review. CR/PR at Table I-2.

<sup>14</sup> Original Determinations, USITC Pub. 2910, at I-22.

<sup>15</sup> Original Determinations, USITC Pub. 2910, at I-22-23.

<sup>16</sup> Original Determinations, USITC Pub. 2910, at I-23.

<sup>17</sup> Hearing transcript, p. 70 (Hecht). CR at II-22, PR at II-15.

<sup>18</sup> Hearing transcript, pp. 46, 54, and 62 (Verellen, Leland, and Stoner). CR at II-22, PR at II-15.

<sup>19</sup> Hearing transcript, pp. 221-222 (Balkenende).

very active.<sup>20</sup> Benteler also reported that it intends to sell in the United States “products that are either not manufactured here or manufactured very infrequently.”<sup>21</sup> However, all producers, importers, and purchasers found the domestic product and the product from all three of the subject countries to be interchangeable.<sup>22</sup> Virtually all purchasers of seamless pipe require some form of pre-qualification of suppliers, based on the product’s compliance with the standards of the American Society for Testing and Materials (ASTM) and/or the American Petroleum Institute (API),<sup>23</sup> and its quality, chemistry, strength, and other performance characteristics.<sup>24</sup> No purchasers indicated that either U.S. or subject product failed to qualify.<sup>25</sup> In addition, both domestic and foreign producers from each of the subject countries are on multiple purchasers’ AMLs.<sup>26</sup> Moreover, most importers and all responding domestic producers agreed that differences other than price are never a significant factor in their sales.<sup>27</sup>

Although the Argentine producer asserts that it has decreased the share of its capacity dedicated to producing SLP due to its investment of \*\*\*,<sup>28</sup> producers in each subject country are capable of producing a wide range of tubular products in a variety of sizes and degrees of sophistication.<sup>29</sup>

The Commission found in the original investigations that both domestic producers and subject importers sold subject pipe predominantly to distributors who resold it to end users and other distributors. This indicates that domestic producers and subject importers use common channels of distribution.<sup>30</sup> In the first reviews, the Commission stated that nothing in the record indicated that a significant overlap in the channels distribution among subject imports and domestic like product would not be likely upon revocation of the orders.<sup>31</sup> U.S. producers continue to sell mainly to distributors, although \*\*\* also sell to end users. All five responding importers of subject pipe sold only to distributors.<sup>32</sup> I find the current channels of distribution to be relatively unchanged from the situation existing during the original investigation and the first reviews.

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<sup>20</sup> Hearing transcript, pp. 247 and 257 (Herminghaus). \*\*\*. CR/PR at Table II-4.

<sup>21</sup> Hearing transcript, p. 251 (Herminghaus).

<sup>22</sup> CR/PR at Table II-6.

<sup>23</sup> CR at II-23, PR at II-16.

<sup>24</sup> CR at II-24, PR at II-16.

<sup>25</sup> CR at II-24, PR at II-16.

<sup>26</sup> CR/PR at Table II-4.

<sup>27</sup> CR/PR at Table II-7.

<sup>28</sup> Siderca’s Foreign Producers’ Questionnaire Response, section II-2; Siderca’s posthearing brief, p.7.

<sup>29</sup> CR/PR at Tables IV-9, 10, 14, 15, 20, and 21. Although the Argentine respondent Siderca S.A.I.C. argued that it has shifted its focus to the production of high value-added seamless pipe such as OCTG rather than subject seamless pipe, I note that the company continues to produce significant quantities of subject seamless pipe in sufficient quantities that there would likely be reasonable overlap of competition with the domestic like product. Even though the company’s capacity dedicated to the production of subject seamless pipe \*\*\* between the last review and the current review, it actually reported \*\*\* excess capacity to produce subject seamless pipe in 2005 than in 2000. See CR/PR at Table IV-10.

<sup>30</sup> Original Determinations, USITC Pub. 2910, at I-12-13; 2000 Determinations, USITC Pub. 3311, at 10.

<sup>31</sup> First Reviews Views (confidential) at 15-16.

<sup>32</sup> In 2005, \*\*\* percent of domestic producers’ and \*\*\* importers’ sales were to distributors who stock both carbon and alloy product. CR/PR at II-1. Although Siderca may have direct contact with engineering companies in the United States for some projects, it explained that it this is primarily for securing mill reservations and that it generally uses distributors to provide services such as maintenance, logistics, and warehousing. Hearing transcript, p. 213 (Balkenende).

The Commission also found in the original investigations that subject product from Argentina, Brazil, and Germany was simultaneously present and competed directly with the domestic product nationwide.<sup>33</sup> In the first reviews, both domestic producers and importers reported that they served the entire continental United States.<sup>34</sup> In these reviews, all four responding U.S. producers reported selling nationwide. The one importer that reported selling subject pipe sold product from \*\*\*.<sup>35</sup> In addition, subject and related imports entered the United States in various ports throughout the country, with most entering the Houston-Galveston, TX, customs district.<sup>36</sup> Further, in these reviews, official Commerce statistics show that subject and related seamless pipe from the three subject countries entered the U.S. in each year of the period of review.<sup>37</sup>

I find nothing in the record of these reviews or in the first reviews that varies significantly from the original investigation or that suggests that subject imports and the domestic like product could not compete on a nationwide basis if the orders were revoked.<sup>38</sup>

### **3. Other Considerations**

I do not find that the record in these reviews indicates significant differences in the likely conditions of competition between imports of the subject merchandise from Argentina, Brazil, and Germany. I therefore exercise my discretion to cumulate the likely volume and effects of subject imports from these countries.

## **IV. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE ORDERS ARE REVOKED**

### **A. Legal Standard**

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke a countervailing or antidumping duty order unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of an order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>39</sup> The SAA states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation [of the order] . . . and the elimination of its restraining effects on volumes and prices of imports.”<sup>40</sup> Thus, the likelihood standard is prospective in nature.<sup>41</sup> The statute states that

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<sup>33</sup> Original Determinations USITC Pub. 2910 at I-22-23.

<sup>34</sup> First Reviews Views (confidential) at 16 n. 84.

<sup>35</sup> CR at II-1-II-2, PR at II-1.

<sup>36</sup> The Staff Report notes that official import statistics for the subject countries are overstated. CR/PR at Table IV-3.

<sup>37</sup> CR/PR at Table IV-4. The Staff Report notes that official import statistics for the subject countries are overstated. CR/PR at Table IV-4.

<sup>38</sup> In these reviews, both domestic producers and importers reported that they serve the entire continental United States. CR at II-1-II-2, PR at II-1. *See also* CR/PR at Table I-9 (U.S. purchasers dispersed across the United States).

<sup>39</sup> 19 U.S.C. § 1675a(a).

<sup>40</sup> SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, (continued...))

“the Commission shall consider that the effects of revocation . . . may not be imminent, but may manifest themselves only over a longer period of time.”<sup>42</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis [in antidumping and countervailing duty investigations].”<sup>43 44</sup>

Although the standard in five-year reviews is not the same as the standard applied in original investigations, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked.”<sup>45</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order under review, whether the industry is vulnerable to material injury if the order is revoked, and any findings by Commerce regarding duty absorption<sup>46</sup> under section 1675(a)(4) of the Act.<sup>47</sup>

The statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. In these reviews, the Commission has received relatively complete trade, production, and financial data from a substantial majority of all the domestic producers and for all the subject country producers as well.<sup>48</sup> Accordingly, I have relied on these facts as well as the evidence in the record from the Commission’s original investigations, and the previous five-year review.

In evaluating the likely volume of imports of subject merchandise if the orders under review are revoked, the Commission is directed to consider whether the likely volume of subject imports would be

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<sup>40</sup> (...continued)

or material retardation of an industry.” SAA at 883.

<sup>41</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>42</sup> 19 U.S.C. § 1675a(a)(5).

<sup>43</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>44</sup> I note that, consistent with my views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004), I do not concur with the U.S. Court of International Trade’s interpretation of “likely,” but will apply the Court’s standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses this issue.

<sup>45</sup> 19 U.S.C. § 1675a(a)(1).

<sup>46</sup> There have been no duty absorption findings by Commerce with respect to the orders under review. U.S. Department of Commerce, “Issues and Decision Memorandum for the Expedited Sunset Reviews of the Antidumping Duty Orders on Certain Small Diameter Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, and Germany; Final Results,” Sept. 29, 2006.

<sup>47</sup> 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>48</sup> CR at I-33, IV-12, IV-21, IV-29; PR at I-27, IV-11, IV-13, IV-15.



significant either in absolute terms or relative to production or consumption in the United States.<sup>49</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>50</sup>

In evaluating the likely price effects of subject imports if the orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with domestic like products and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the price of domestic like products.<sup>51</sup>

In evaluating the likely impact of subject imports if the orders are revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>52</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.<sup>53</sup>

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<sup>49</sup> 19 U.S.C. § 1675a(a)(2).

<sup>50</sup> 19 U.S.C. § 1675(a)(2)(A)-(D).

<sup>51</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>52</sup> 19 U.S.C. § 1675a(a)(4).

<sup>53</sup> 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that “the Commission may consider the magnitude of the margin of dumping” in making its determination in a five-year review investigation. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year review investigations as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. Commerce assigned likely antidumping duty margins for all manufacturers in Argentina of 108.13 percent. The likely margin of dumping for all producers in Brazil is 124.94 percent. All producers in Germany were assigned a likely margin of dumping of 57.72 percent. 71 Fed. Reg. 59079-59081 (October 6, 2006).

## B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinct to the industry.”<sup>54</sup> In performing my analysis under the statute, I have taken into account the following conditions of competition in the U.S. market for seamless pipe.

Seamless pipe is produced in a variety of grades and sizes, depending on its use in transmitting water, steam, petrochemicals, chemicals, oil, natural gas, and other gases and fluids in refineries, petrochemical facilities, and energy plants.<sup>55</sup> Evidence in the record indicates that there are few substitute products for certain seamless pipe.<sup>56</sup>

U.S. demand for seamless SLP depends on its end use markets, particularly the oil and gas, chemical/petrochemical, energy-generating industries and mechanical applications for general construction.<sup>57</sup> More specifically, seamless SLP pipe less than 2 inches in outside diameter is commonly pressure pipe and is often used in high pressure and high temperature applications--for example, in the construction or repair of refineries and chemical plants. Slightly larger pipes are used in more general high pressure applications in industrial piping systems. Seamless pipe that is 2-3/8 inches or greater in outside diameter may be used in gathering lines or as line pipe for the conveyance of oil or natural gas.<sup>58</sup> Thus, demand for seamless pipe is often subject to the business cycles for other products such as oil and gas.<sup>59</sup>

During the period of these reviews, apparent U.S. consumption fell from \*\*\* short tons in 2001 to \*\*\* short tons in 2002, then rose slightly to \*\*\* short tons in 2003, and to \*\*\* short tons in 2004.<sup>60</sup> Apparent U.S. consumption then fell in 2005, to \*\*\* short tons.<sup>61</sup>

During the 1992-94 period, subject imports collectively supplied as much as \*\*\* of the U.S. market, with each individual subject country accounting for \*\*\* percent of the U.S. market in at least one year.<sup>62</sup> Since the last review, however, subject imports generally have had only a minimal presence in the U.S. market, while nonsubject imports have increased their presence in the U.S. market noticeably. Nonsubject imports' U.S. market share rose from \*\*\* percent in 2001 to \*\*\* percent in 2005.<sup>63</sup> The primary sources of nonsubject imports have been, in order of volume in 2005, China, Ukraine, Austria, France, and Spain.<sup>64</sup>

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<sup>54</sup> 19 U.S.C. § 1675a(a)(4).

<sup>55</sup> CR at I-23-I-26, PR at I-19-22.

<sup>56</sup> CR at II-11 and II-19-20; PR at II-8 and II-13-14.

<sup>57</sup> CR at II-8; PR at II-5.

<sup>58</sup> CR at I-24-I-25; PR at I-21.

<sup>59</sup> CR at II-9; PR at II-5.

<sup>60</sup> CR/PR at Table I-11.

<sup>61</sup> *Id.*

<sup>62</sup> CR/PR at Table I-3.

<sup>63</sup> CR/PR at Table I-3.

<sup>64</sup> These countries accounted for approximately three-quarters of U.S. imports from nonsubject countries in 2005. U.S. imports from China alone accounted for more than one-third of U.S. imports from nonsubject countries in 2005. CR/PR at Table IV-2.

Most responding U.S. producers reported that nearly all sales were on a spot basis, while the majority of importers responded that their sales are made on a spot or short-term contract basis.<sup>65</sup> The majority of seamless pipe is sold by domestic producers and importers to distributors.<sup>66</sup> Eleven of 16 responding purchasers reported that they or their customers used approved manufacturers lists (“AMLs”) when considering the source of supply.<sup>67</sup> Producers from each of the subject countries are included on the major AMLs.<sup>68</sup> The domestic and imported product are generally considered interchangeable, and most producers and importers agreed that differences other than price are rarely a significant factor in sales of seamless pipe.<sup>69</sup>

I find that the foregoing conditions of competition, which are consistent with the conditions existing during the original investigation and the last review, are likely to prevail for the reasonably foreseeable future and thus provide a reasonable basis to assess the likely effects of revocation within the reasonably foreseeable future.

**C. Revocation of the Antidumping Duty Orders on Subject Imports From Argentina, Brazil, and Germany Is Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time.**

**1. Likely Volume of Subject Imports**

In the original determinations, the Commission found that the volume and market share of cumulated subject imports were significant.<sup>70</sup> While apparent U.S. consumption increased from 1992 to 1993, the volume of subject imports increased at a greater rate than overall consumption and subject imports’ market share increased from 21.0 percent to 25.4 percent.<sup>71</sup> Between 1993 and 1994, both subject import volume and overall consumption declined somewhat, with subject imports’ market share decreasing to 23.2 percent.<sup>72</sup> Upon issuance of the orders, the volume and market share of subject seamless pipe fell dramatically and have remained substantially below the levels they attained during the original investigations, never accounting for more than \*\*\* percent of apparent U.S. consumption after 1996.<sup>73</sup>

In the last review of these orders, the Commission found that the volume of subject imports from Argentina, Brazil and Germany will likely be significant if the orders were revoked. I find the record in this proceeding even more compelling than the record of the last review with regard to the potential volume of subject imports if the orders are revoked. Thus, I find that the volume of cumulated subject imports from Argentina, Brazil, and Germany will likely be significant if the orders are revoked.

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<sup>65</sup> CR/PR at V-5.

<sup>66</sup> CR at II-1-2;PR at II-1.

<sup>67</sup> CR at II-24; Prat II-17.

<sup>68</sup> CR/PR at Table II-4.

<sup>69</sup> CR/PR at Tables II-6, II-7.

<sup>70</sup> Original Determinations, USITC Pub. 2910 at I-28.

<sup>71</sup> Original Determinations, USITC Pub. 2910 at I-27. This figure also includes subject imports from Italy. Subtracting subject imports from Italy, subject imports' market share increased from \*\*\* to \*\*\* percent between 1992 and 1993. CR/PR at Table I-3.

<sup>72</sup> This figure also includes subject imports from Italy. Subtracting subject imports from Italy, subject imports' market share decreased to \*\*\* percent in between 1993 and 1994. CR/PR at Table I-3.

<sup>73</sup> CR/ PR at Table I-3.

Producers in the subject countries have significant production capacity and each subject country has significant unused capacity and inventories. Furthermore, even though it is argued that Argentina has significantly reduced its capacity to produce subject seamless pipe, the excess capacity to produce subject seamless pipe in Argentina alone is over \*\*\* tons greater than it was in 2000,<sup>74</sup> as reported in the record of the last review. In 2005, the total excess capacity for subject seamless pipe in all three countries, totaling \*\*\* tons, \*\*\* tons of excess capacity the countries had in 2000.<sup>75</sup> An important consideration in this case is that even though capacity to produce subject seamless pipe in both Argentina and Brazil decreased, the amount of excess capacity for each country increased. In Germany, the reported capacity for production of subject seamless pipe in 2005 was \*\*\* times that reported to the Commission in 2000 and the excess capacity to produce subject seamless pipe was nearly \*\*\* times that reported to the Commission in 2000.<sup>76</sup> The following table summarizes the very large increases in excess capacity between 2000 and 2005.<sup>77</sup>

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In addition, because the subject foreign producers can manufacture both non-subject and subject seamless pipe on the same equipment, their significant overall capacity could be used to shift production between subject merchandise and other products.<sup>78 79</sup> In 2005, the total capacity of Argentina, Brazil and Germany to produce all seamless pipe products, subject and non-subject, was \*\*\* short tons and the excess capacity to produce all seamless pipe products was \*\*\* short tons.<sup>80</sup> Their significant overall capacity could be used to shift production from other products to subject merchandise. There is testimony in these reviews that indicates that the United States is the largest, best and most attractive market for

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<sup>74</sup> Derived from CR/PR at Table IV-6.

<sup>75</sup> The large increase in reported capacity is attributed to more complete data from Germany. In the last review, data for 2000 were provided for only one producer in Germany whereas data for 2005 reflects full participation by German subject SLP producers. See CR/PR, Table IV-17 (Note). However, the fact that the current data is more complete cannot detract from the fact that the reported potential for cumulated production of subject SLP is \*\*\* percent greater in the record in this review than the data reported to the Commission in the last review.

<sup>76</sup> This large increase is due to more complete data from Germany. (See footnote 73). Nevertheless the availability of more complete data does not alter the fact that the cumulated gross capacity and net excess capacity reported to the Commission in this review is much more significant relative to other reported data than cumulated capacity data available in the last review.

<sup>77</sup> CR/PR at Tables IV-6, IV-11, and IV-17.

<sup>78</sup> Estimated overall seamless SLP and other pipe capacity for Argentina, Brazil, and Germany in 2005 was \*\*\*, \*\*\*, and \*\*\* short tons, respectively. CR/PR at Tables IV-10, IV-15, and IV-21.

<sup>79</sup> Furthermore, if the order on seamless pipe from Argentina in particular is revoked, the sole seamless pipe producer in Argentina, Siderca, would have a strong incentive to shift production from OCTG to seamless SLP pipe, since seamless SLP pipe is one of the company's \*\*\* product lines. CR/PR at Table IV-10. The United States maintains an antidumping duty order on OCTG from Argentina. Antidumping Duty Order: Oil Country Tubular Goods from Argentina, 60 Fed. Reg. 41055 (Aug. 11, 1995). During these reviews, the antidumping duty order on OCTG from Argentina was also the subject of a full five-year review by the Commission. Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Inv. Nos. 731-TA-711 and 713-716 (Second Review).

<sup>80</sup> Estimated overall seamless SLP and other pipe capacity for Argentina, Brazil, and Germany in 2005 was calculated from CR/PR at Tables IV-10, IV-15, and IV-21.

seamless SLP, and that foreign producers have shown a willingness to enter the U.S. market.<sup>81</sup> Each of the subject countries exports significant quantities of other seamless tubular products to the United States. Further, in the event of revocation, they would have a strong incentive to use their excess capacity and inventories to resume exportation of subject pipe through these existing channels of distribution. Each of the subject countries is \*\*\*.<sup>82</sup> Thus, they exported approximately \*\*\* percent of their production in 2005. The domestic industry argued that subject producers are exporting \*\*\* volumes of product at prices \*\*\* the prices that are prevailing in the United States.<sup>83</sup>

The subject countries face market barriers to importation of their product. The most significant barrier is the fact that expanding capacity in China is rapidly shrinking the export outlets for export oriented producers like those in the subject countries. U.S. domestic parties argue that China's expanded SLP production capacity has led to domestic oversupply propelling a surge of Chinese imports around the world and has caused competition among different Chinese firms trying to sell into the U.S. market.<sup>84</sup> This competition constitutes a significant barrier to the subject producers' exports to third country markets. As a result, the subject producers have a need to ship subject merchandise to the United States.<sup>85</sup> This in turn, drives the price of the subject product down.<sup>86</sup> Although much has been made of the Chinese selling product into the low-end of the market, the shrinking export markets are not just the lowest price product markets. The Chinese product is moving out of the low end of the market, and becoming more acceptable and eventually, may achieve acceptability in all parts of the \*\*\* market, a trend that is likely to continue.<sup>87 88</sup>

Finally, I find, as the Commission found in the last review, that the transnational corporate affiliations among many of the subject country producers enhance their ability to resume exporting to the United States by providing a ready network for marketing, sales, and distribution.<sup>89</sup> Cross-ownership

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<sup>81</sup> Some of the foreign producers have \*\*\* \*\*\* Importers Questionnaire Response at 8, Question II-8 (APO Document). \*\*\* stated that the order has prevented it from shipping more small diameter SLP pipe to the United States, and that the U.S. market has "high level prices" that are "attractive to \*\*\*." \*\*\* Foreign Producers' Questionnaire Response at 14, Question III-7 (APO Document). Tr.166-168 (Mr. Vaughn).

<sup>82</sup> The share of Argentina's shipments that were exported ranged between \*\*\* and \*\*\* percent during the original investigations and between \*\*\* and \*\*\* percent during these reviews. For Brazil, the shares were between \*\*\* and \*\*\* percent during the original investigations and between \*\*\* and \*\*\* percent during these reviews, and, for Germany, the shares were between \*\*\* and \*\*\* percent during the original investigations and between \*\*\* and \*\*\* percent during these reviews. CR/PR at Tables IV-7, IV-12, and IV-18.

<sup>83</sup> Domestic Industry's Prehearing Brief at 44-45.

<sup>84</sup> China's production growth of all seamless pipe and tube has outpaced all other regions, with China's share of world seamless pipe and tube production increasing from 20 percent in 1995 to almost 48 percent in 2005. From 2004 to 2005, Chinese production of seamless pipe and tube increased from 9,349 short tons to 11,542 short tons, an increase of 23 percent in one year. Derived from CR/PR, Table IV-23.

<sup>85</sup> Domestic Industry's Prehearing Brief at 45. Domestic Industry's Posthearing Brief at 3, 15.

<sup>86</sup> Tr. 123 (Mr. Stoner)

<sup>87</sup> Tr.131 (Mr. Vaughn)

<sup>88</sup> Domestic Industry Prehearing Brief at 47.

<sup>89</sup> As a result of these corporate relationships, one parent corporation, V&M Tubes (wholly owned by Groupe Vallourec) is affiliated with seamless pipe producers V&M Brazil (Brazil), V&M Deutschland GmbH ("VMD")(Germany), V&M France (France), and V&M Star (United States). V&M Star in the United States produces nonsubject large diameter seamless pipes. V&M Brazil exports to the United States through its sister company, V&M Corporation, Houston, TX. V&M Brazil foreign producer questionnaire response, section I-3.

(continued...)

among foreign subject producers appears to be enhancing their ability to supply seamless pipe customers with operations in the United States and abroad through flexible supply arrangements, including global contracts.<sup>90</sup>

For these reasons, I conclude that the likely volume of subject seamless pipe imports from Argentina, Brazil, and Germany would be significant in the reasonably foreseeable future if the orders were revoked.<sup>91</sup>

## 2. Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if the orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with domestic like products, and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the price of domestic like products.<sup>92</sup>

In the original determinations, the Commission found that price was an important factor in purchasing decisions, and that subject imports significantly undersold the domestic product during the period of investigation. The margins of underselling were found by the Commission to be large, in most instances exceeding 20 percent.<sup>93</sup> The Commission further found that the subject imports had significant price depressing and suppressing effects.<sup>94</sup> In the first review, the Commission found that, given the likely significant volume of subject imports upon revocation of the orders, the substitutability of the subject

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<sup>89</sup> (...continued)

Siderca is a wholly owned subsidiary of Tenaris. Tenaris has affiliations with seamless pipe producers Dalmine (Italy), Siderca (Argentina), Algoma Tubes (Canada), Tavsa (Venezuela), Tamsa (Mexico), Silcotub (Romania), and NKK Tubes (Japan). CR at IV-12 n.3; PR at IV-11 n.3.

<sup>90</sup> First Review Views at 21. On remand, the Commission found that there was extensive testimony that the existence of transnational affiliations would enhance the ability of subject foreign producers to ship subject product to the U.S. if the orders were revoked. One witness testified that after the orders went into effect, the V&M Group began shipping subject pipe to the United States from France in significant quantities, rather than from Brazil and Germany. Remand Views (confidential) at 14-15.

<sup>91</sup> Siderca argues that it has not participated to any extent in the U.S. subject pipe market for more than 12 years and that it has no intent to do so in the future. Siderca states that it has \*\*\*, is operating at a high capacity utilization, that prices in its home and key third country markets have \*\*\* and that the prices in third country markets to which Siderca sells subject pipe are higher than the prices in the United States. Siderca also states that it cannot shift supply to the U.S. market because of its long term commitments to its home market and third country markets. Siderca Prehearing Brief at 14, 15, 16, 16, and 18. Siderca Posthearing Brief at 10 and 11. I do not find that the record supports the conclusion that Siderca cannot ship significant volumes of seamless pipe to the United States if the order on Argentina is revoked. In particular, I find that the data on excess subject seamless pipe capacity contradicts Siderca's claim that its reduced dedication of capacity to the small diameter SLP pipe business indicates that it is not likely to reenter the U.S. market if the order is revoked. Nor do I find supporting evidence that Siderca does not have an interest in exporting this product to the United States, even though prices are higher in the United States than in other markets to which it exports, considering that its exports into the U.S. market during the original period of investigation, prior to the imposition of the order, were significant.

<sup>92</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>93</sup> Original Determinations, USITC Pub. 2910, at I-28.

<sup>94</sup> Original Determinations, USITC Pub. 2910, at I-30.

imports, the lower prices for subject imports reported by purchasers, and the record of consistent underselling by imports in the original investigations, that in the absence of the orders, subject pipe would likely have significant depressing and suppressing effects on the domestic like product.<sup>95</sup>

The record at hand indicates that the subject imports from Argentina, Brazil, and Germany are a much better substitute for domestic seamless pipe than is nonsubject, particularly Chinese product.<sup>96</sup> A majority of producers and importers reported that differences other than price between the domestic and subject product are generally not a significant factor in their sales, indicating a moderate to high level of price competition in the industry.<sup>97</sup> Price was ranked “very important” in making purchasing decisions by 15 of 18 purchasers.<sup>98</sup>

In looking at the original investigations to analyze the likelihood of underselling in the event of revocation of the order, removing data from Italy still shows underselling in approximately three-quarters of pricing comparisons.<sup>99</sup> Because there is overwhelming evidence that subject imports and the domestic like product are sold primarily on the basis of price, the downward pressure that the significant underselling would exert on domestic prices is likely to be severe.<sup>100</sup>

The domestic industry argues that because the evidence shows that subject pipe is a price sensitive product, it is likely that subject producers would increase imports through aggressive pricing, which would suppress and depress domestic prices. Furthermore, the domestic industry argued that because the great majority of the subject product is sold through distributors, an increase in supply in this market is likely to lead to a sell off of inventories by the distributors, which would place even greater downward pressure on prices.<sup>101</sup> I find these arguments of the domestic industry to be supported by substantial evidence. In these reviews, the industry’s cost of goods sold per ton increased from \$\*\*\* per ton in 2004 to \$\*\*\* per ton in the first nine months of 2006.<sup>102</sup> Considering the history of underselling during the period examined in the original investigation, if the orders are revoked, it is likely that subject imports would once again come into the U.S. market in significant quantities at relatively low prices, resulting in a cost/price squeeze on the domestic industry.

Given the likely significant volume of subject imports if the orders are revoked, the substitutability of the subject imports from Argentina, Brazil, and Germany, and the record of consistent underselling by the imports in the original investigations, I find that, in the absence of the orders, certain seamless pipe from Argentina, Brazil, and Germany would likely have significant price depressing and suppressing effects on the domestic like product. I further find that subject producers from Argentina, Brazil, and Germany will likely revert to aggressive pricing practices in connection with exports of subject merchandise to the United States, as evidenced in the Commission’s original determinations.

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<sup>95</sup> First Review Views (Confidential) at 27-28. Upon remand, the Commission again found that price was a highly important factor in purchasing decisions and that this finding supported a likely finding of likely underselling if the orders were revoked. Remand Views (confidential) at 21. It also found upon remand that revocation of the orders would likely have significant price depressing and suppressing effects on the domestic like product. Remand Views (confidential) at 22.

<sup>96</sup> CR/PR at Table II-4.

<sup>97</sup> CR/PR at Table II-7.

<sup>98</sup> CR/PR at Table II-5.

<sup>99</sup> CR/PR at Table V-4.

<sup>100</sup> *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Pub. 3429, Inv. Nos. 701-TA-362 and 731-TA-707-710 (Final) at 23 (June 2001) (“Review Determination”). Domestic Industry’s Prehearing Brief at 11.

<sup>101</sup> Domestic Industry’s Prehearing Brief at 55.

<sup>102</sup> CR/PR at Table III-7.

### 3. Likely Impact of Subject Imports

In its original determinations, the Commission found that, despite the domestic industry's increases in market share, shipments, production, and capacity utilization over the period of investigation, it experienced poor financial performance as a result of the adverse price effects resulting from the subject imports. The Commission determined that, although subject imports declined in 1994 and in interim 1995, their continued large and significant share of the market in 1994 caused poor operating results within the industry. The Commission found that underselling by the subject imports suppressed and depressed prices and also determined that improvements in many indicators during the first quarter of 1995 could not compensate for the adverse impact of the subject imports throughout the period of investigation.<sup>103</sup>

Following imposition of the orders, the domestic industry's financial condition improved somewhat from 1995 to 1997, but then deteriorated sharply as import levels increased and demand fell, resulting in a substantial operating loss in 1999 of \$\*\*\*.<sup>104</sup> I find that the initial improvement in the state of the industry, which occurred during a period of relatively stable demand as measured by apparent U.S. consumption, was related to the orders.

I concur with the recitation of financial and trade indicia over the current review period by my colleagues in the Views of the Commission, and likewise concur in the finding that the domestic industry currently is not vulnerable. As discussed above, however, my analysis takes into account the likely combined effects of the subject imports.

I find that revocation of the antidumping duty orders would likely lead to significant increases in the volume of cumulated subject imports at prices that would undersell the domestic product and significantly depress or suppress U.S. prices. The domestic industry argued that the price effects are likely to be "devastating" because subject foreign producers would aggressively price their product to reestablish their presence in the market and because offers of lower priced products are likely to lead to a sell off in inventories which would put further downward pressure on prices.<sup>105</sup>

The price and volume declines would likely have a significant adverse impact on the production, shipment, sales, and revenue levels of the domestic industry. This reduction in the industry's production, sales and revenue levels would have a direct adverse impact on the industry's profitability, as well as its ability to raise capital and make and maintain necessary capital investments. In addition, these negative impacts on the condition of the domestic industry would likely result in employment declines for domestic firms.

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<sup>103</sup> Original Determinations, USITC Pub. 2910, at I-31-32.

<sup>104</sup> Review Determination at 29, n. 174. CR at Table I-3.

<sup>105</sup> Domestic Industry's Prehearing Brief at 65.



## **CONCLUSION**

For the foregoing reasons, I determine that revocation of the antidumping duty orders covering imports of certain seamless pipe from Argentina, Brazil, and Germany would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.



# PART I: INTRODUCTION AND OVERVIEW

## BACKGROUND

On June 1, 2006, the U.S. International Trade Commission (“Commission” or “USITC”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (“the Act”), that it had instituted second five-year reviews to determine whether revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure (“SLP”) pipe<sup>1</sup> from Argentina, Brazil, and Germany would likely lead to the continuation or recurrence of material injury to a domestic industry within a reasonably foreseeable time. Effective September 5, 2006, the Commission determined that it would conduct full reviews pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of the reviews is provided in table I-1.<sup>2</sup>

**Table I-1**  
**Seamless SLP pipe: Background information**

Effective date	Action
August 3, 1995	U.S. Department of Commerce (“Commerce”)’s antidumping duty orders (60 FR 39704)
June 7, 2001	Commission’s determinations in the first five-year reviews (66 FR 34717, June 29, 2001)
June 1, 2006	Commerce’s initiation of second five-year reviews (71 FR 31153)
June 1, 2006	Commission’s institution of five-year reviews (71 FR 31209)
September 5, 2006	Commission’s decision to conduct full five-year reviews (71 FR 54520, September 15, 2006)
September 22, 2006	Commission’s scheduling of second five-year reviews (71 FR 57567, September 29, 2006)
October 6, 2006	Commerce’s final results of expedited second five-year reviews (71 FR 59079)
February 8, 2007	Commission’s hearing <sup>1</sup>
April 19, 2007	Commission’s vote
May 2, 2007	Commission’s determinations transmitted to Commerce

<sup>1</sup> App. B presents a list of witnesses appearing at the hearing.

## The Original Investigations

On June 23, 1994, a petition was filed by the Gulf States Tube Division of Quanex Corp. (“Gulf States”) with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped imports of seamless carbon and alloy steel SLP pipe from Argentina, Brazil, and Germany, as well as dumped and subsidized imports from Italy.<sup>3</sup>

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<sup>1</sup> As used in this report, the term “seamless SLP pipe” includes pipes and tubes of carbon steel and alloy steel (other than stainless steel), consistent with the scope definition that appears in the section of this report entitled “The Subject Merchandise.” With respect to domestic product, the term also includes redraw hollows.

<sup>2</sup> The Commission’s notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission’s web site (internet address [www.usitc.gov](http://www.usitc.gov)). Commissioners’ votes on whether to conduct expedited or full reviews may also be found at the web site.

<sup>3</sup> In its first reviews of these orders, the Commission determined that revocation of the antidumping duty and countervailing duty orders on seamless SLP pipe from Italy would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. *Certain Seamless Carbon* (continued...)

On June 19, 1995, Commerce made a final determination of sales at less than fair value (“LTFV”) for Argentina,<sup>4</sup> with dumping margins of 108.13 percent *ad valorem* for Siderca S.A.I.C. (“Siderca”) and for all other firms. The Commission notified Commerce of its final affirmative injury determination on July 26, 1995, and Commerce issued an antidumping duty order on August 3, 1995.<sup>5</sup>

For Brazil, on August 3, 1995, Commerce amended its original dumping margin<sup>6</sup> of 125.00 percent *ad valorem* to 124.94 percent *ad valorem* after correction of ministerial error for Mannesmann S.A. and for all other firms. The Commission notified Commerce of its final affirmative injury determination on July 26, 1995, and Commerce issued an antidumping duty order on August 3, 1995.<sup>7</sup>

For Germany, on August 3, 1995, Commerce amended its original dumping margin<sup>8</sup> of 58.23 percent *ad valorem* to 57.72 percent *ad valorem* after correction of ministerial error for Mannesmannrohren-Werke AG and for all other firms. The Commission notified Commerce of its final affirmative injury determination on July 26, 1995, and Commerce issued an antidumping duty order on August 3, 1995.<sup>9</sup>

For Italy, Commerce made a final affirmative LTFV determination on June 19, 1995, with a dumping margin of 1.84 percent *ad valorem* for Dalmine S.p.A. and all other firms,<sup>10</sup> and a subsidy margin of 1.47 percent *ad valorem* for all of Italy.<sup>11</sup> The Commission notified Commerce of its final affirmative injury determination on July 26, 1995, Commerce issued an antidumping duty order effective August 3, 1995 and a countervailing duty order effective August 8, 1995.<sup>12</sup> On June 10, 1998, Commerce amended its original dumping margin of 1.84 percent *ad valorem* to 1.27 percent *ad valorem* after remand instructions from the Court of International Trade.<sup>13</sup>

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<sup>3</sup> (...continued)

*and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, Inv. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Review), USITC Publication 3429 (June 2001), p. 1.

<sup>4</sup> *Notice of Final Determination of Sales at Less than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina*, 60 FR 31953, June 19, 1995.

<sup>5</sup> *Notice of Antidumping Duty Order: Certain Diameter Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina*, 60 FR 39708, August 3, 1995.

<sup>6</sup> *Notice of Final Determination of Sales at Less than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Brazil*, 60 FR 31960, June 19, 1995.

<sup>7</sup> *Notice of Final Determination of Sales at Less than Fair Value and Amended Final Determination: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Brazil*, 60 FR 39707, August 3, 1995.

<sup>8</sup> *Notice of Final Determination of Sales at Less than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Germany*, 60 FR 31974, June 19, 1995.

<sup>9</sup> *Notice of Antidumping Duty Order and Amended Final Determinations: Certain Diameter Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Germany*, 60 FR 39704, August 3, 1995.

<sup>10</sup> *Notice of Final Determination of Sales at Less than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Italy*, 60 FR 31981, June 19, 1995.

<sup>11</sup> *Final Affirmative Countervailing Duty Determination: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Italy*, 60 FR 31992, June 19, 1995

<sup>12</sup> *Notice of Antidumping Duty Order: Certain Diameter Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Italy*, 60 FR 39705, August 3, 1995 and *Notice of Countervailing Duty Order: Certain Diameter Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Italy*, 60 FR 40569, August 9, 1995.

<sup>13</sup> *Amended Order and Final Determination of Sales at Less than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line, and Pressure Pipe from Italy*: 63 FR 31735, June 10, 1998.

## The First Five-Year Reviews

On July 3, 2000, the Commission instituted the first five-year reviews of the antidumping duty orders on seamless SLP pipe from Argentina, Brazil, Germany, and Italy and the countervailing duty order on seamless SLP pipe from Italy.<sup>14</sup> On October 5, 2000, the Commission determined that it should proceed to full reviews.<sup>15</sup> On November 7, 2000, Commerce found that revocation of the antidumping duty orders on seamless SLP pipe from Argentina, Brazil, Germany, and Italy would be likely to lead to continuation or recurrence of dumping.<sup>16</sup> On June 7, 2001, the Commission determined that revocation of the antidumping duty orders on seamless SLP pipe from Argentina, Brazil, and Germany would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. The Commission also determined that revocation of the antidumping duty and countervailing duty orders on seamless SLP pipe from Italy would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>17 18</sup> For Italy, Commerce revoked the antidumping duty order effective August 3, 2000 and the countervailing duty order effective August 8, 2000.<sup>19</sup> For Argentina, Brazil, and Germany, Commerce issued a continuation of antidumping duty orders on seamless SLP pipe on July 16, 2001.<sup>20</sup>

## Previous and Related Title VII Investigations

Seamless SLP pipe has been the subject of several Commission investigations. A listing of these investigations is presented in table I-2.

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<sup>14</sup> *Seamless pipe from Argentina, Brazil, Germany, and Italy*, 65 FR 41090, July 3, 2000.

<sup>15</sup> *Seamless pipe from Argentina, Brazil, Germany, and Italy*, 65 FR 63889, October 5, 2000.

<sup>16</sup> *Final results of expedited sunset reviews: Seamless pipe from Argentina, Brazil, Germany, and Italy*, 65 FR 66708, November 7, 2000.

<sup>17</sup> *Notice of determinations in the first five-year reviews*, 66 FR 34717, June 29, 2001.

<sup>18</sup> Siderca S.A.I.C. (“Siderca”), a producer of subject merchandise in Argentina, contested the Commission’s determinations in the first review of these orders. On October 27, 2004, the U.S. Court of International Trade (“CIT”) remanded the Commission’s determinations with respect to Argentina, Brazil, and Germany in *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, Inv. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Review), USITC Publication 3429 (June 2001). The Commission found on remand that revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure pipe from Argentina, Brazil, and Germany would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a foreseeable time. *Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, and Germany (Views on Remand)*, Inv. Nos. 731-TA-707-709 (Review) (Remand), USITC Publication 3754 (February 2005).

<sup>19</sup> *Revocation of Antidumping and Countervailing Duty Orders: Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Italy*, 66 FR 36999, July 16, 2001.

<sup>20</sup> *Continuation of Antidumping Duty Orders: Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, and Germany*, 66 FR 37004, July 16, 2001.

**Table I-2**  
**Seamless SLP pipe: Previous and related investigations, 1980-2006**

Original Investigation				First review		Current status
Date <sup>1</sup>	Number	Country	Outcome	Date <sup>1</sup>	Outcome	
1980	731-TA-15	Japan	Negative <sup>2 3</sup>	-	-	-
1982	731-TA-87	Japan	Affirmative/ Negative <sup>4</sup>	-	-	ITA revoked effective 10/29/85
1994	701-TA-362	Italy	Affirmative	2000	Negative	ITA revoked effective 8/8/00
1994	731-TA-707	Argentina	Affirmative	2000	Affirmative	Under review
1994	731-TA-708	Brazil	Affirmative	2000	Affirmative	Under review
1994	731-TA-709	Germany	Affirmative	2000	Affirmative	Under review
1994	731-TA-710	Italy	Affirmative	2000	Negative	ITA revoked effective 8/3/00
2000	731-TA-846	The Czech Republic	Affirmative	2005	Negative	ITA revoked effective 8/14/05
2000	731-TA-847 <sup>5</sup>	Japan	Affirmative	2005	Affirmative	Continuation order 5/8/06
2000	731-TA-848 <sup>5</sup>	Mexico	Affirmative	2005	Negative	ITA revoked effective 8/14/05
2000	731-TA-849	Romania	Affirmative	2005	Affirmative	Continuation order 5/8/06
2000	731-TA-850	South Africa	Affirmative	2005	Negative	ITA revoked effective 8/14/05

<sup>1</sup> "Date" refers to the year in which the investigation or review was instituted by the Commission.  
<sup>2</sup> Preliminary determination.  
<sup>3</sup> See *Determination of the Commission After Reconsideration of Imports Provided for in Item 610.3205 of the Tariff Schedule of the United States Annotated*, 45 FR 47769, July 16, 1980.  
<sup>4</sup> The Commission made an affirmative determination with respect to seamless heat-resisting and seamless stainless pipes and tubes, and a negative determination with respect to seamless "other alloy" pipes and tubes.  
<sup>5</sup> These investigations included large diameter seamless SLP pipe.

Source: Compiled from U.S. International Trade Commission publications.

### Previous and Related Global Safeguard Investigations

Following receipt of a request from the Office of the United States Trade Representative ("USTR") on June 22, 2001, the Commission instituted investigation No. TA-201-73, *Steel*, under section 202 of the Trade Act of 1974<sup>21</sup> to determine whether certain steel products, which included seamless carbon and alloy steel SLP pipe,<sup>22</sup> were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industries producing articles like or directly competitive with the imported article.<sup>23</sup> On July 26, 2001, the Commission received a resolution adopted by the Committee on Finance of the U.S. Senate ("Senate Finance Committee" or "Committee") requesting that the Commission investigate certain steel imports under

<sup>21</sup> 19 U.S.C. § 2252.

<sup>22</sup> *Steel*, Inv. No. TA-201-73, USITC Publication 3479, December 2001, volume 1, p. 155.

<sup>23</sup> *Institution and Scheduling of an Investigation under Section 202 of the Trade Act of 1974 (19 U.S.C. 2252) (the Act)*, 66 FR 35267, July 3, 2001.

section 201 of the Trade Act of 1974.<sup>24</sup> Consistent with the Senate Finance Committee’s resolution, the Commission consolidated the investigation requested by the Committee with the Commission’s previously instituted investigation No. TA-201-73.<sup>25</sup> On December 20, 2001, the Commission issued its determinations and remedy recommendations. With regard to this product category, the Commission made a negative determination, concluding that the U.S. seamless pipe industry was not seriously injured by increased U.S. imports, citing the profitability of the U.S. industry during the period examined.<sup>26</sup>

### Summary Data

Table I-3 presents a summary of data on seamless SLP pipe from the original investigations, first reviews, and current second reviews.

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<sup>24</sup> 19 U.S.C. § 2251.

<sup>25</sup> *Consolidation of Senate Finance Committee Resolution Requesting a Section 201 Investigation with the Investigation Requested by the United States Trade Representative on June 22, 2001*, 66 FR 44158, August 22, 2001.

<sup>26</sup> *Steel*, Inv. No. TA-201-73, Publication No. 3479, volume 1, p. 188 (“In summary, the data present a mixed picture as to whether the domestic industry is seriously injured. There were annual fluctuations in many of the factors examined. . . Nevertheless, one facet of domestic industry performance remained consistent throughout the period examined: profitability. The domestic industry maintained strong operating margins throughout the period, other than in 1999.”)

**Table I-4**  
**Seamless SLP pipe: Summary data from the original investigations, first reviews, and current reviews, 1992-94, 1995-2000, and 2001-05**

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per short ton)

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
U.S. consumption quantity: Amount	170,057	225,584	205,247	199,555	192,927	257,360	234,890	147,254	204,268	***	***	***	***	***
Producers' share	62.8	64.2	67.2	86.9	80.1	69.8	55.4	70.2	64.0	***	***	***	***	***
Importer's share: Argentina	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other countries	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total imports <sup>2</sup>	37.2	35.8	32.8	13.1	19.9	30.2	44.6	29.8	36.0	***	***	***	***	***
U.S. consumption value: Amount	123,653	145,966	133,079	144,150	142,456	194,122	173,295	102,183	146,632	***	***	***	***	***
Producers' share	63.8	65.8	68.9	83.8	82.5	69.7	59.3	74.1	67.8	***	***	***	***	***
Importer's share: Argentina	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other countries	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Total imports <sup>2</sup>	36.2	34.2	31.1	16.2	17.5	30.3	40.7	25.9	32.2	***	***	***	***	***
U.S. shipments of imports from-- Argentina:														
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***

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Table I-4--Continued

Seamless SLP pipe: Summary data from the original investigations, first reviews, and current reviews, 1992-94, 1995-2000, and 2001-05

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per short ton)

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Brazil:														
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Germany:														
Quantity <sup>4</sup>	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value <sup>4</sup>	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value <sup>4</sup>	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All subject sources:														
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources (imports):														
Quantity	***	***	***	***	***	***	***	***	***	96,667	79,606	91,400	129,850	118,484
Value	***	***	***	***	***	***	***	***	***	63,012	54,162	65,560	95,347	123,329
Unit value	***	***	***	***	***	***	***	***	***	\$652	\$680	\$717	\$734	\$1,041
Ending inventory quantity	***	***	***	***	***	***	***	***	***	0	400	80	636	301

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Table I-4--Continued

Seamless SLP pipe: Summary data from the original investigations, first reviews, and current reviews, 1992-94, 1995-2000, and 2001-05

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per short ton)

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
All sources:														
Quantity	63,236	80,811	67,254	26,171	38,395	77,645	104,769	43,914	73,525	***	***	***	***	***
Value	44,809	49,955	41,391	23,399	24,979	58,763	70,450	26,477	47,279	***	***	***	***	***
Unit value	\$709	\$618	\$615	\$894	\$651	\$757	\$672	\$603	\$643	***	***	***	***	***
Ending inventory quantity	608	529	375	139	67	156	212	212	193	***	***	***	***	***
U.S. producers'-- Capacity quantity	296,925	292,750	292,650	403,313	378,077	346,425	355,277	416,395	327,838	***	***	***	***	***
Production quantity	108,242	147,641	138,295	179,693	150,656	184,080	127,958	110,217	134,365	***	***	***	***	***
Capacity utilization	36.5	50.4	47.3	44.6	39.8	53.1	36.0	26.5	41.0	***	***	***	***	***
U.S. shipments: Quantity	106,821	144,773	137,993	173,384	154,532	179,715	130,121	103,340	130,743	***	***	***	***	***
Value	78,844	96,011	91,688	120,751	117,477	135,359	102,845	75,706	99,353	***	***	***	***	***
Unit value	\$738	\$663	\$664	\$696	\$760	\$753	\$790	\$733	\$760	***	***	***	***	***
Export shipments: Quantity	1,430	2,098	453	***	***	***	***	***	***	***	***	***	***	***
Value	849	997	259	***	***	***	***	***	***	***	***	***	***	***
Unit value	\$594	\$475	\$572	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	13,823	14,410	14,095	***	***	***	***	***	***	***	***	***	***	***
Inventories/total shipments	12.8	9.8	10.2	***	***	***	***	***	***	***	***	***	***	***
PRWs	241	296	264	328	281	320	257	283	273	***	***	***	***	***
Hours worked (1,000 hours)	568	679	642	687	650	674	534	578	584	***	***	***	***	***
Wages paid (1,000 dollars)	9,260	12,437	12,318	12,756	11,975	12,734	10,244	11,348	11,546	***	***	***	***	***
Hourly wages	\$16.30	\$18.32	\$19.19	\$18.58	\$18.42	\$18.90	\$19.18	\$19.64	\$19.78	***	***	***	***	***
Productivity (short tons per 1,000 hours)	190.6	217.4	215.4	261.7	231.7	273.3	239.6	190.7	230.1	***	***	***	***	***
Unit labor costs <sup>5</sup>	\$85.55	\$84.24	\$89.07	\$70.99	\$79.48	\$69.18	\$80.06	\$102.96	\$85.93	***	***	***	***	***

Table continued on next page

Table I-4--Continued

Seamless SLP pipe: Summary data from the original investigations, first reviews, and current reviews, 1992-94, 1995-2000, and 2001-05

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per short ton)

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
U.S. producers'-- Net sales:														
Quantity	107,734	147,948	138,390	173,737	155,395	182,296	133,632	104,550	136,634	***	***	***	***	***
Value	79,476	97,439	91,788	120,404	118,140	136,991	105,303	76,699	102,395	***	***	***	***	***
Unit value	\$738	\$659	\$663	\$693	\$760	\$751	\$788	\$734	\$749	***	***	***	***	***
Cost of goods sold	75,989	90,805	87,314	110,014	104,934	116,536	91,752	80,738	89,676	***	***	***	***	***
Gross profit or (loss)	3,487	6,634	4,474	10,390	13,206	20,455	13,551	(4,039)	12,719	***	***	***	***	***
SG&A expenses	4,332	5,830	4,597	7,647	7,156	9,079	7,844	6,966	6,503	***	***	***	***	***
Operating income or (loss)	(845)	804	(123)	2,743	6,050	11,376	5,707	(11,005)	6,216	***	***	***	***	***
Unit cost of goods sold	\$705	\$614	\$631	\$633	\$675	\$639	\$687	\$772	\$656	***	***	***	***	***
Unit SG&A expenses	\$40	\$39	\$33	\$44	\$46	\$50	\$59	\$67	\$48	***	***	***	***	***
Unit operating income or (loss)	\$(8)	\$5	\$(1)	\$16	\$39	\$62	\$43	\$(105)	\$45	***	***	***	***	***
Cost of goods sold/sales	95.6	93.2	95.1	91.4	88.8	85.1	87.1	105.3	87.6	***	***	***	***	***
Operating income or (loss)/sales	(1.1)	0.8	(0.1)	2.3	5.1	8.3	5.4	(14.3)	6.1	***	***	***	***	***
Capital expenditures	5,069	2,029	1,276	2,348	2,973	4,385	10,879	4,577	26,212	***	***	***	***	***

<sup>1</sup> Less than 0.05 percent.

<sup>2</sup> Not applicable.

<sup>3</sup> End-of-period inventories were imported and held in inventory by the [only U.S. importer, Tenaris, of subject product from Argentina] from 1997 to 2000. See confidential staff report in the first-reviews, May 24, 2001, INV-Y-104, p. IV-7.

<sup>4</sup> Data for 1995-2000 are estimated by Commission staff in the first reviews.

<sup>5</sup> Data for 1992-94 differ from unit labor costs shown in the original investigations (which derived from total compensation paid). For comparability with data presented in these reviews, which is based on total wages paid in the first reviews, staff recomputed the 1992-94 unit labor costs based on wages paid.

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

Note.--Data for "all other sources" in the 1992-94 and the 1995-2000 periods include data from Italy, pursuant to the Commission's negative determination with respect to such imports in the in its first reviews of the subject orders.

Source: Data for 1992-1994 are from *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy*, Invs. Nos. 701-TA-362 and 731-TA-707-710 (Final) USITC Pub. 2910 (July 1995) and the confidential staff report in the original investigations; data for 1995-2000 and 2001-05 are from the confidential version of the staff report in the first reviews and compiled from data submitted in response to Commission questionnaires, except where noted.

## STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

### Statutory Criteria

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation “would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury.”

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

*(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--*

*(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*

*(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,*

*(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*

*(D) in an antidumping proceeding . . . , (Commerce’s findings) regarding duty absorption . . .*

*(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--*

*(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*

*(B) existing inventories of the subject merchandise, or likely increases in inventories,*

*(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and*

*(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.*

*(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--*

*(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and*

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

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

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

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

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

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

Section 752(a)(6) of the Act states further that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy.” Information obtained during the course of these reviews that relates to the above factors is presented throughout this report.

### **Organization of the Report**

Information obtained during the course of these reviews that relates to the above factors is presented throughout this report. A summary of data collected in these reviews is presented in appendix C. U.S. industry data presented throughout the report are based on the questionnaire responses of Koppel Steel Corp. (“Koppel Steel”), Sharon Tube Co. (“Sharon Tube”), The Timken Co. (“Timken”), and U.S. Steel Group (“U.S. Steel”), which are believed to account for more than \*\*\* percent of U.S. production of seamless SLP pipe during the period for which data were collected. Import data for subject countries are based on responses submitted to Commission questionnaires and import data for nonsubject countries are based on official import statistics. Responses by U.S. producers, importers, and purchasers of seamless SLP pipe, and producers of seamless SLP pipe in Argentina, Brazil, and Germany to a series of questions concerning the significance of the existing antidumping duty orders and the likely effects of revocation are presented in appendix D.

## COMMERCE'S REVIEWS

### Changed Circumstances Review

On April 27, 1998, the petitioner, Vision Metals, requested that Commerce conduct a changed circumstances administrative review to determine whether to revoke in part the antidumping duty order on certain seamless pipe from Brazil with respect to certain glass-lined seamless pressure pipe.<sup>27</sup> As no comments were received from interested parties, the request was granted and certain glass-line pressure pipe was excluded from the order.<sup>28</sup>

### Scope Ruling

Effective July 2, 2000, Commerce issued a scope ruling excluding from the antidumping order on imports from Germany tubing with a circular cross-section and an outside diameter that varies from 0.05 mm to 25 mm.<sup>29</sup>

### Administrative Reviews

Commerce has completed two administrative reviews of the antidumping duty order on certain seamless pipe from Brazil since 2000.<sup>30</sup> In the first administrative review on Brazil, Commerce examined the period from August 1, 2002 to July 31, 2003, and calculated a 7.96 percent LTFV margin on subject imports from V&M Brazil.<sup>31</sup> In the second review, Commerce examined the period from August 1, 2004

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<sup>27</sup> "Certain glass-lined seamless pressure pipe" is defined by Commerce as seamless carbon and alloy (other than stainless) steel pipe, of circular cross-section, not more than 114.3 mm (4.5 inches) in outside diameter, regardless of wall thickness or manufacturing process (hot-finished or cold-drawn) that: (1) has been cut into lengths of 6 to 120 inches (15.2 cm to 304.8 cm), (2) has had the inside bore ground to a smooth surface, (3) has had multiple layers of specially formulated corrosion resistant glass permanently baked on at temperatures of 1,440 to 1,700 degrees Fahrenheit in thicknesses from 0.032 to 0.085 inch (40 to 80 mils), and (4) has flanges or other forged stub ends welded on both ends of the pipe. The special corrosion resistant glass referred to in this definition may be glass containing by weight: (1) 70 to 80 percent of an oxide of silicone, zirconium, titanium, or cerium (Oxide Group RO<sub>2</sub>), (2) 10 to 15 percent of an oxide of sodium, potassium, or lithium (Oxide Group RO), (3) from a trace amount to 5 percent of an oxide of either aluminum, cobalt, iron, vanadium, or boron (Oxide Group R<sub>2</sub>O<sub>3</sub>), or (4) from a trace amount to 5 percent of a fluorine compound in which fluorine replaces the oxygen in any one of the previously listed oxide groups. Glass-lined pressure pipe is commonly manufactured for use in glass-lined equipment systems for processing corrosive or reactive chemicals, including acrylates, alkanolamines, herbicides, pesticides, pharmaceuticals, and solvents. V&M Brazil, the sole Brazilian producer of certain seamless pipe, reported \*\*\* exports of this product to the United States. In addition, U.S. importers reported \*\*\* imports of this product.

<sup>28</sup> *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Brazil: Final Results of Changed Circumstances Antidumping Duty Administrative Review, and Revocation in Part of Antidumping Duty Order*, 63 FR 37338, July 10, 1998.

<sup>29</sup> *Notice of Scope Rulings*, 65 FR 41957, July 7, 2000.

<sup>30</sup> V&M Brazil previously requested an administrative review for Brazil for the August 1, 2001, though July 31, 2002, period, but subsequently withdrew its request for review (*Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Brazil: Notice of Rescission of Antidumping Duty Administrative Review*, 67 FR 70716, November 26, 2002).

<sup>31</sup> Commerce amended its initial final results of 12.67 percent to 7.96 percent after the correction of certain ministerial errors (*Notice of Final Results of Antidumping Duty Administrative Review: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Brazil*, 70 FR 7243, February 11, 2005 (continued...))

to July 31, 2005, and calculated a 0.00 percent LTFV margin on subject imports from V&M Brazil.<sup>32</sup> For Germany, Commerce completed one administrative review of the antidumping duty order on certain seamless pipe.<sup>33</sup> Commerce examined the period from January 27, 1995, to July 31, 1996, and calculated a 21.94 percent LTFV margin on Mannesmann.<sup>34</sup> Commerce's assigned margin was subsequently reduced to 20.08 percent after receiving remand instructions from the Court of International Trade.<sup>35</sup> Administrative reviews completed since 2000 appear in the following tabulation.

Country	Period of review	Date results published	Exporter	Margin (percent)
Brazil	8/1/2002-7/31/2003	February 11, 2005 (70 FR 7243)	V&M do Brasil	12.67
Brazil	8/1/2002-7/31/2003	Amended: March 21, 2005 (70 FR 13459)	V&M do Brasil	7.96
Brazil	8/1/2004-7/31/2005	September 27, 2006 (71 FR 56473)	V&M do Brasil	0.00

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<sup>31</sup> (...continued)

and *Notice of Amended Final Results of Antidumping Duty Administrative Review: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Brazil*, 70 FR 13459, March 21, 2005).

<sup>32</sup> *Certain Small Diameter Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Brazil: Notice of Final Results of Antidumping Duty Administrative Review*, 71 FR 56473, September 27, 2006.

<sup>33</sup> *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Germany: Final Results of Antidumping Duty Administrative Review*, 63 FR 13217, March 18, 1998. Mannesmann requested a second administrative review for Germany for the August 1, 1996, through July 31, 1997, period, but subsequently withdrew its request (*Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Germany; Notice of Rescission of Antidumping Duty Administrative Review*, 62 FR 60688, November 12, 1997).

<sup>34</sup> Commerce amended its initial final results of 22.12 percent to 21.94 percent after the correction of a ministerial error (*Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Germany: Amendment of Final Results of Antidumping Duty Administrative Review*, 63 FR 20579, April 27, 1998).

<sup>35</sup> *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Germany: Notice of Amended Final Results of Antidumping Duty Administrative Review in Accordance with Final Court Decision*, 66 FR 12465, February 27, 2001.

### Expedited Reviews of Orders

On October 6, 2006, Commerce published the final results of its expedited reviews of the antidumping duty orders on seamless carbon and alloy steel SLP pipe, determining that revocation of the antidumping duty orders would likely lead to continuation or recurrence of dumping at the rates listed below:<sup>36</sup>

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u>
Argentina:	
Siderca SAIC .....	108.13
All others .....	108.13
Brazil:	
V&M do Brasil, S.A. ....	124.94
All others .....	124.94
Germany:	
Vallourec & Mannesmann Tubes GmbH .....	57.72
All others .....	57.72

### DISTRIBUTION OF CONTINUED DUMPING AND SUBSIDY OFFSET ACT FUNDS

Qualified U.S. producers of seamless SLP pipe are eligible to receive disbursements from U.S. Customs and Border Protection (“Customs”) under the Continued Dumping and Subsidy Offset Act of 2000 (“CDSOA”), also known as the Byrd Amendment.<sup>37</sup> Between 2001 and 2006, four firms (Michigan Seamless Tube, Koppel Steel, U.S. Steel, and Vision Metals) received such funds. Table I-4 presents CDSOA claims and disbursements for Federal fiscal years 2001-06.

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<sup>36</sup> *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, and Germany*, 71 FR 59079, October 6, 2006.

<sup>37</sup> 19 CFR 159.64(g).



**Table I-4  
Seamless SLP pipe: CDSOA claims and disbursements, Federal fiscal years 2001-06<sup>1</sup>**

Year	Order	Claimant	Share of yearly allocation	Certification amount	Amount disbursed
			Percent	Dollars	
2001	A-357-809 (Argentina)	Vision Metals <sup>2</sup>	100.0	\$166,725,000	\$0
	A-351-826 (Brazil)	Vision Metals <sup>2</sup>	100.0	\$166,725,000	\$0
	A-428-820 (Germany)	Vision Metals <sup>2</sup>	100.0	\$166,725,000	\$0
	<b>Total</b>				<b>\$0</b>
2002	A-357-809 (Argentina)	U.S. Steel <sup>3</sup>	100.0	\$308,000,000	\$501
	A-351-826 (Brazil)	U.S. Steel <sup>3</sup>	100.0	\$308,000,000	\$344
	A-428-820 (Germany)	U.S. Steel <sup>3</sup>	100.0	\$308,000,000	\$31,973
	<b>Total</b>				<b>\$32,817</b>
2003	A-357-809 (Argentina)	Koppel Steel	4.6	\$26,112,000	\$1,240
		Michigan Seamless Tube	30.8	\$174,564,574	\$8,289
		U.S. Steel <sup>3</sup>	64.6	\$366,416,458	\$17,398
		Subtotal	100.0	\$567,093,032	\$26,927
	A-351-826 (Brazil)	Koppel Steel	4.6	\$26,112,000	\$1,371
		Michigan Seamless Tube	30.8	\$174,564,574	\$9,162
		U.S. Steel <sup>3</sup>	64.6	\$366,416,458	\$19,232
		Subtotal	100.0	\$567,093,032	\$29,765
	A-428-820 (Germany)	Koppel Steel	4.6	\$26,112,000	\$5,898
		Michigan Seamless Tube	30.8	\$174,564,574	\$39,306
		U.S. Steel <sup>3</sup>	64.6	\$366,416,458	\$82,766
		Subtotal	100.0	\$567,093,032	\$127,971
	<b>Total</b>				<b>\$184,662</b>

Table continued on next page.

**Table I-4--Continued**  
**Seamless SLP pipe: CDSOA claims and disbursements, Federal fiscal years 2001-05<sup>1</sup>**

Year	Order	Claimant	Share of yearly allocation	Certification amount	Amount disbursed	
			Percent	Dollars		
2004	A-357-809 (Argentina)	Koppel Steel	7.0	\$30,464	\$683	
		U.S. Steel <sup>3</sup>	93.0	\$403,180,593	\$9,033	
		Subtotal	100.0	\$403,211,057	\$9,715	
	A-351-826 (Brazil)	Koppel Steel	7.0	\$30,464	\$151	
		U.S. Steel <sup>3</sup>	93.0	\$403,180,593	\$1,997	
		Subtotal	100.0	\$403,211,057	\$2,148	
	A-428-820 (Germany)	Koppel Steel	7.0	\$30,464	\$6,999	
		U.S. Steel <sup>3</sup>	93.0	\$403,180,593	\$92,633	
		Subtotal	100.0	\$403,211,057	\$99,632	
	<b>Total</b>					<b>\$111,495</b>
	2005	A-357-809 (Argentina)	U.S. Steel <sup>3</sup>	100.0	\$452,486,848	\$3,435
		A-351-826 (Brazil)	U.S. Steel <sup>3</sup>	100.0	\$452,486,848	\$24
A-428-820 (Germany)		U.S. Steel <sup>3</sup>	100.0	\$452,486,848	\$79,967	
<b>Total</b>					<b>\$83,427</b>	
2006	A-357-809 (Argentina)	Koppel Steel	16.6	\$104,733,722	\$2,560	
		U.S. Steel <sup>3</sup>	83.4	\$524,450,672	\$12,821	
		Subtotal	100.0	\$629,184,394	\$15,381	
	A-351-826 (Brazil)	Koppel Steel	16.6	\$104,733,722	\$3,825	
		U.S. Steel <sup>3</sup>	83.4	\$524,450,672	\$19,155	
		Subtotal	100.0	\$629,184,394	\$22,980	
	A-428-820 (Germany)	Koppel Steel	16.6	\$104,733,722	\$25,144	
		U.S. Steel <sup>3</sup>	83.4	\$524,450,672	\$125,909	
		Subtotal	100.0	\$629,184,394	\$151,053	
	<b>Total</b>					<b>\$189,414</b>
	<p><sup>1</sup> The federal fiscal year is October 1-September 30. Data are reported as published.</p> <p><sup>2</sup> In 2000, Vision Metals, parent company of Gulf States Tube and Michigan Specialty, filed for bankruptcy and closed its Rosenberg, TX seamless SLP pipe production facility. In 2002, Michigan Seamless Tube was created to purchase the assets of the Michigan Specialty Tube division of the defunct Vision Metals.</p> <p><sup>3</sup> U.S. Steel is the successor to USX and National Steel.</p>					
	Source: Customs' CDSOA Annual Reports FY 2001-06, found at <a href="http://www.cbp.gov/xp/cgov/import/add_cvd/cont_dump/">http://www.cbp.gov/xp/cgov/import/add_cvd/cont_dump/</a> .					

## THE SUBJECT MERCHANDISE

### Commerce's Scope

The scope definition for the imported product subject to the antidumping duty orders under review, as defined by Commerce, is as follows:

The products covered by the orders are seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the API 5L specifications and meeting the physical parameters described below, regardless of application. The scope of the orders also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification.

Specifically included within the scope of the orders are seamless pipes and redraw hollows,<sup>38</sup> less than or equal to 4.5 inches (114.3 mm) in outside diameter, regardless of wall-thickness, manufacturing process (hot finished or cold-drawn), end finish (plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish.<sup>39</sup>

The seamless pipes subject to the orders are currently classifiable under the subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>40</sup>

Specifications, Characteristics, and Uses: Seamless pressure pipes are intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gases in industrial piping systems. They may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the ASTM A-106 standard may be used in temperatures of up to 1000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106. Seamless pressure pipes sold in the United States are commonly produced to the ASTM A-106 standard.

Seamless standard pipes are most commonly produced to the ASTM A-53 specification and generally are not intended for high temperature service. They are intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other

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<sup>38</sup> The scope did not include redraw hollows under HTS subheading 7304.31.30 as subject products in the original or the first reviews of these orders. Based on staff inquiries, Commerce has stated that the scope language should not include redraw hollows as subject products and the scope should conform with the previous investigations. Commerce issued an internal memorandum to correct the scope language for these reviews. *See* app. E and staff telephone interview with \*\*\*, Import Administration, U.S. Department of Commerce, December 8, 2006.

<sup>39</sup> Classification of the subject merchandise under the HTSUS is discussed in the section of this report entitled "Tariff Treatment."

<sup>40</sup> Although the HTS subheadings are provided for convenience and customs purposes, the written description of the merchandise subject to this scope is dispositive.

liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperatures but must not exceed relevant ASME code requirements. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

Seamless line pipes are intended for the conveyance of oil and natural gas or other fluids in pipelines. Seamless line pipes are produced to the API 5L specification.

Seamless water well pipe (ASTM A-589) and seamless galvanized pipe for fire protection uses (ASTM A-795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53, API 5L-B, and API 5L-X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers.

The primary application of ASTM A-106 pressure pipes and triple or quadruple certified pipes is use in pressure piping systems by refineries, petrochemical plants, and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear), and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. A minor application of this product is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A-106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/ hydrostatic testing or other methods to enable the material to be sold under ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications.

The scope of the orders includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, with the exception of the specific exclusions discussed below, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of the orders. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications shall be covered if used in a standard, line, or pressure application, with the exception of the specific exclusions discussed below. For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A-106 applications. These specifications generally include ASTM A-161, ASTM A-192, ASTM A-210, ASTM A-252, ASTM A-501, ASTM A-523, ASTM A-524, and ASTM A-618. When such pipes are used in a standard, line, or pressure pipe application, with the exception of the specific exclusions discussed below, such products are covered by the scope of the orders.

Specifically excluded from the scope of the orders are boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished oil country tubular goods (OCTG) are excluded from the scope of the orders, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.<sup>41</sup>

### **With Respect to Subject Merchandise from Brazil**

As a result of a changed circumstances review, glass-lined pressure pipes are excluded from the scope of the antidumping duty order on seamless SLP pipe from Brazil.<sup>42</sup>

### **With Respect to Subject Merchandise from Germany**

As a result of a scope ruling issued by Commerce on June 25, 1999, tubing with a circular cross-section and an outside diameter that varies from 0.05 mm to 25 mm is excluded from the antidumping order on imports from Germany.<sup>43</sup>

## **Tariff Treatment**

The small diameter seamless pipes subject to these reviews are currently imported under the statistical reporting numbers 7304.10.1020, 7304.10.5020, 7304.31.6050, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.51.5005, 7304.51.5060, 7304.59.6000, 7304.59.8010, 7304.59.8015, 7304.59.8020, and 7304.59.8025 of the HTSUS.<sup>44</sup> The column 1-general (normal trade relations) rates of duty for the subject products are free.

## **THE DOMESTIC LIKE PRODUCT**

### **Description and Applications**

Steel pipes and tubes are made in circular, rectangular, or other cross sections, and are generally manufactured by either the welded or seamless production process. Steel pipe and tube manufactured by either process can be further categorized by the grades of steel—particularly carbon and alloy grades—used in the steel production. Included in alloy grades are heat-resisting, stainless, and “other” alloy grades. Additionally, steel pipes and tubes can be further categorized by end use. The American Iron and Steel Institute (AISI) has defined six such end-use categories, which are standard pipe, line pipe, structural pipe

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<sup>41</sup> *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, and Germany*, 71 FR 59079, October 6, 2006.

<sup>42</sup> *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Brazil: Final Results of Changed Circumstances Antidumping Duty Administrative Review, and Revocation in Part of Antidumping Duty Order*, 63 FR 37338, July 10, 1998.

<sup>43</sup> *Notice of Scope Rulings*, 65 FR 41957, July 7, 2000.

<sup>44</sup> As of February 3, 2007, statistical reporting number 7304.10.1020 has been reclassified as 7304.19.1020 and 7304.10.5020 has been reclassified as 7304.19.5020.

and tubing, mechanical tubing, pressure tubing, and oil country tubular goods (OCTG).<sup>45</sup> Subject products are defined as seamless SLP pipe and are produced from carbon or alloy (other than stainless) steel.

Steel pipes and tubes generally are produced according to standards and specifications published by a number of organizations, including the American Society for Testing and Materials (ASTM), the American Society of Mechanical Engineers (ASME), and the American Petroleum Institute (API). Comparable organizations in the United Kingdom, Japan, Russia, and other countries also have developed standard specifications for steel pipes and tubes.<sup>46</sup>

Seamless standard pipe is most commonly produced to the ASTM A-53 standard, and generally is not intended for high temperature or high pressure service. Rather, typical end use applications include the low pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinklers, and other related uses. Depending on the type and grade, however, standard pipe may carry liquids at elevated temperatures but must not exceed relevant ASME code requirements. If exceptionally low temperature end-uses or conditions are anticipated, seamless standard pipe may be produced to meet ASTM A-333 and A-334 specifications (covering carbon and alloy seamless pipe and tube for low temperature service).<sup>47</sup>

Seamless pressure pipe is commonly produced to ASTM A-106 specification (covering seamless carbon steel pipe for high temperature service), and is intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas, and other liquids and gases at elevated temperature or pressure, or both, in industrial piping systems. Seamless pressure pipe may carry substances at elevated temperatures and pressures and may be subject to external heat. Seamless pressure pipe meeting ASTM A-106 specification may be used in temperatures of up to 1,000 degrees Fahrenheit at various ASME code stress levels. Seamless alloy pipes made to ASTM A-335 specification (covering alloy steel pipe for high temperature service) must be used if temperatures and stress levels exceed those allowed for ASTM A-106.

Seamless line pipe is produced to the API 5L specification, and is intended for the conveyance of oil and natural gas and other fluids in pipe lines, transmission lines, or gathering lines.

Seamless pipe is commonly produced and certified to meet multiple specifications in order to avoid maintaining separate production runs and inventories for pipe sold for different applications. Manufacturers often quadruple certify pipe made to ASTM A-106, ASTM A-53, API 5L Grade B, and

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<sup>45</sup> Standard, line, and pressure pipe is generally intended to convey liquids and is typically tested and rated for its ability to withstand hydrostatic pressure. Structural pipe and tubing is used for load-bearing purposes and construction, although only small amounts of seamless pipe are used in structural applications. Seamless mechanical tubing is typically a custom-designed product employed within the automotive industry and by equipment manufacturers. OCTG are steel pipes and tubes used in the drilling of oil and gas wells and in the conveying of oil and gas from within the well to ground level.

<sup>46</sup> Particular specifications to which pipe products are produced are commonly marked on each pipe and are referred to as a “stencil.”

<sup>47</sup> ASTM A-333 and A-334 cover several grades of steel used for low temperature applications. Grades 1, 6, and 10 are carbon steel grades. Grades 3, 4, 7, 8, 9, and 11 are alloy steel grades containing nickel and other alloying elements. The most common alloy steel grade is grade 3, which contains about 3.5 percent nickel. *See 2000 Annual Book of ASTM Standards, Section I, Iron and Steel Products, Vol. 01.01, Steel-Piping, Tubing, and Fittings* (West Conshohocken, PA), pp. 194-207.

API 5L X-42 specifications,<sup>48 49</sup> thus allowing distributors to maintain a single inventory of quad stenciled pipe for use in multiple applications.<sup>50</sup> Small diameter seamless SLP pipe in sizes greater than 2 inches and less than or equal to 4.5 inches in outside diameter is commonly produced and certified to the quad stencil certification while small diameter seamless SLP pipe in sizes less than or equal to 2 inches in outside diameter is commonly produced as pressure pipe and made to the A106 specification.<sup>51</sup> Seamless SLP pipe may be used in petrochemical and other non-pipeline applications, as well as in high pressure or high temperature applications, including in steam lines. Seamless SLP pipe less than 2 inches in outside diameter is commonly pressure pipe produced to the ASTM A-106 standard,<sup>52</sup> and is frequently used in high pressure and high temperature applications—for example, in the construction or repair of refineries and chemical plants. Slightly larger pipes are used in more general high pressure applications in industrial piping systems. Seamless SLP pipe that is 2-3/8 inches or greater in outside diameter may be used in gathering lines or as line pipe for the conveyance of oil or natural gas. Seamless pipe with outside diameters (especially pipe with an OD greater than 4.5 inches, which is not subject to these reviews) is typically line pipe used in gas transmission,<sup>53</sup> as well as in pipeline construction.

Most steel products, including those subject to these reviews, are produced from carbon steel, which contains controlled amounts of carbon and manganese.<sup>54</sup> Alloy steels, which provide physical properties not achievable to the same degree with carbon steels,<sup>55</sup> contain controlled amounts of alloying

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<sup>48</sup> Quadruple certification is referred to as a “quad stencil,” whereby manufacturers put four stencils, or markings, on the pipe to show that it has been produced to meet the requirements and tests pursuant to the respective specifications.

<sup>49</sup> Principal differences among standard pipe made to the A-53 specification, pressure pipe made to the A-106 specification, and line pipe made to the API 5L X42 or grade B specifications include differences in minimum yield strength, chemical composition, and variation in permissible weight and dimensional tolerances. Line pipe made to the API 5L X42 specification has a higher minimum yield strength (42,000 pound per square inch (psi)) than line pipe made to API grade B specification (35,000 psi), pressure pipe made to A-106 grade B specification (35,000 psi), and standard pipe made to A-53 grade B specification (35,000 psi). Alloying elements such as columbium (niobium) and titanium may be included in line pipe made to API 5L X42 or grade B to achieve a higher minimum yield strength than that of standard pipe made to A-53. Line pipe made to API 5L X42 may also contain more manganese, which increases tensile strength and hardness, than either standard pipe (A-53) or pressure pipe (A-106). Variations in permissible weight and dimensional tolerances are more stringent for pressure pipe (A-106), and line pipe (API 5L grade B or X-42), than those for standard pipe (A-53). However, all of these specifications overlap, so that pipe may be produced to comply with all of them, allowing for dual, triple, or quadruple certification.

<sup>50</sup> *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania, and South Africa* (Inv. Nos. 731-TA-846-850 (Review)), USITC Publication 3850, April 2006, p. I-21.

<sup>51</sup> *Ibid.* See also table III-2.

<sup>52</sup> Seamless pressure pipe is frequently produced in a size range of 0.5 - 1.5 inch outside diameter, and is \*\*\* on a per-ton basis compared to seamless SLP pipe with larger outside diameters (i.e., greater than two inches). See Domestic Interested Parties’ posthearing brief, Exhibit 1, p. 19; Siderca’s posthearing brief, response to Question 10, p. 1.

<sup>53</sup> *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from The Czech Republic, Japan, Mexico, Romania, and South Africa* (Inv. Nos. 731-TA-846-850 (Review)), USITC Publication 3850, April 2006, p. I-22.

<sup>54</sup> Manganese primarily increases tensile strength and hardness, while reducing ductility and weldability. *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from The Czech Republic, Japan, Mexico, Romania, and South Africa*, Inv. Nos. 731-TA-846-850 (Review), USITC Publication 3850, April 2006, p. I-22, fn. 34.

<sup>55</sup> Alloy steels achieve a high degree of strength and toughness while maintaining weldability—attributes that can be achieved with carbon steels, though not always to the same degree. *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from The Czech Republic, Japan, Mexico, Romania, and South Africa*, Inv. Nos. 731-TA-846-850 (Review), USITC Publication 3850, April 2006, p. I-22, fn. 35.

elements—usually, nickel, chromium, and molybdenum.<sup>56</sup> ASTM specifications covering alloy steel include ASTM A-333, A-334, and A-335. These alloy specifications, however, account for only a small portion of total seamless SLP pipe produced and sold in the United States. Additional details are provided in part III of this report.

The distinguishing characteristics of alloy steel pipe are its physical properties, which make the alloy steel pipe suitable for application in high temperature or low temperature service. Uses can differ from those of carbon steel pipe, based upon the service requirements and temperature and pressure requirements of the ASME Boiler and Pressure Code.

### **Manufacturing Processes**

In the United States, steel used to produce seamless SLP pipe is made by either the basic-oxygen process, in which scrap is added to molten pig iron and alloying materials to convert into molten steel, or by the electric-arc furnace (EAF) process, in which steel scrap, direct-reduced iron, cold pig iron, and alloying materials are melted and converted into molten steel. The chemical composition of steel, including the level of carbon, manganese, and any alloying elements, such as nickel, chromium, and molybdenum, is controlled in the melting process. Molten steel produced by either steelmaking process is continuously cast into either round or square billets, which are the starting materials for the production of seamless SLP pipe. Seamless SLP pipe producers that do not maintain steelmaking operations use purchased billets or redraw hollows as their raw material. Of the five U.S. plants currently producing seamless pipe,<sup>57</sup> three use billets produced in their own steelmaking facilities,<sup>58</sup> one uses billets purchased from others,<sup>59</sup> and one is a finisher of pipe using purchased semifinished pipe or redraw hollows.<sup>60</sup>

Seamless SLP pipe is manufactured by either of two high temperature processes to form a central cavity in a solid steel billet. In the rotary piercing process, a heated billet is gripped by angled rolls, which cause the billet to rotate and advance over a piercer point, forming a hole through its length (figure I-1). In the extrusion process, the billet is hot-punch pierced and then extruded axially through a die and over a mandrel, forming a hollow shell (figure I-2). The hollow shell produced by either process is then rolled with either a fixed plug or a continuous mandrel inside the shell to reduce the wall thickness and increase the length. The shell is then rolled in a sizing mill or a stretch reduction mill where the shell is formed in a true round and sized to the specified diameter.

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<sup>56</sup> Nickel primarily increases toughness, especially at lower temperatures, as well as increases tensile strength and hardness, while slightly reducing weldability. Chromium primarily increases tensile strength and hardness, and reduces weldability. Higher concentrations of chromium can improve corrosion and abrasion resistance. Molybdenum primarily increases tensile strength and hardness, but reduces weldability. *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from The Czech Republic, Japan, Mexico, Romania, and South Africa*, Invs. Nos. 731-TA-846-850 (Review), USITC Publication 3850, April 2006, p. I-22, fn. 36.

<sup>57</sup> Michigan Seamless Tube, LLC (“Michigan Tube”), is no longer producing seamless SLP pipe since the company re-started four years ago. E-mail from \*\*\*.

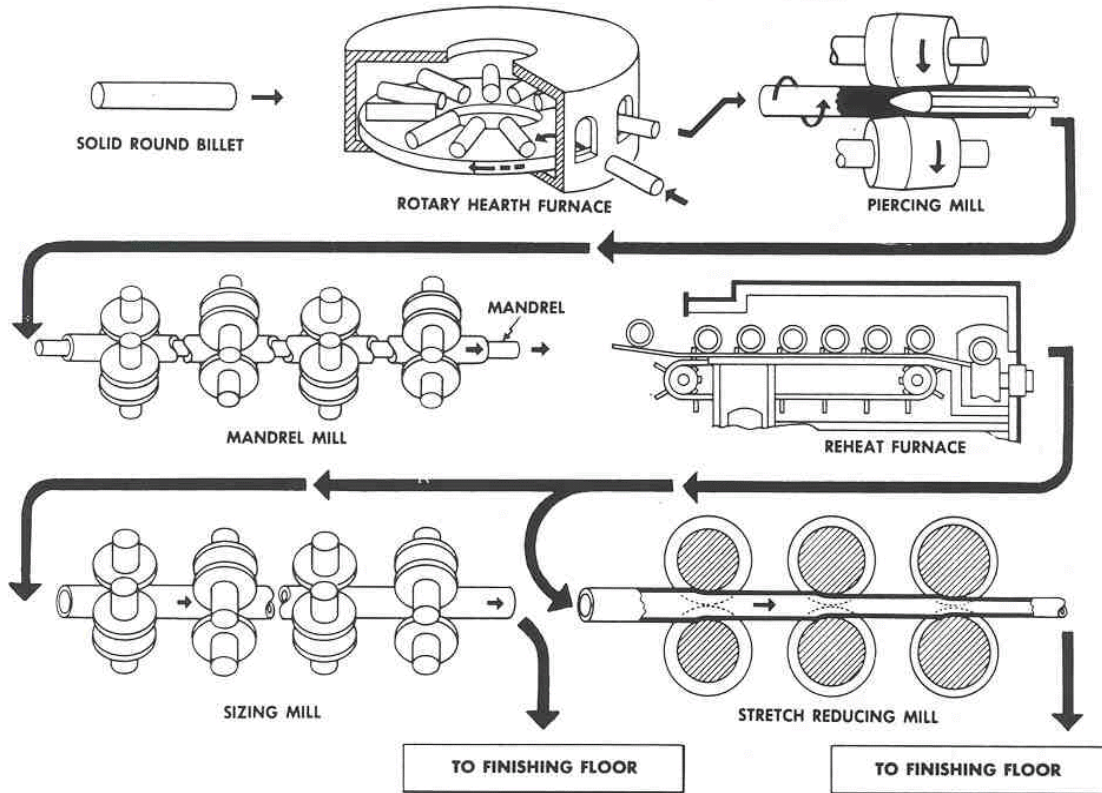
<sup>58</sup> Koppel, Timken, and U.S. Steel’s Fairfield facility.

<sup>59</sup> U.S. Steel’s Lorain facility.

<sup>60</sup> Sharon Tube.

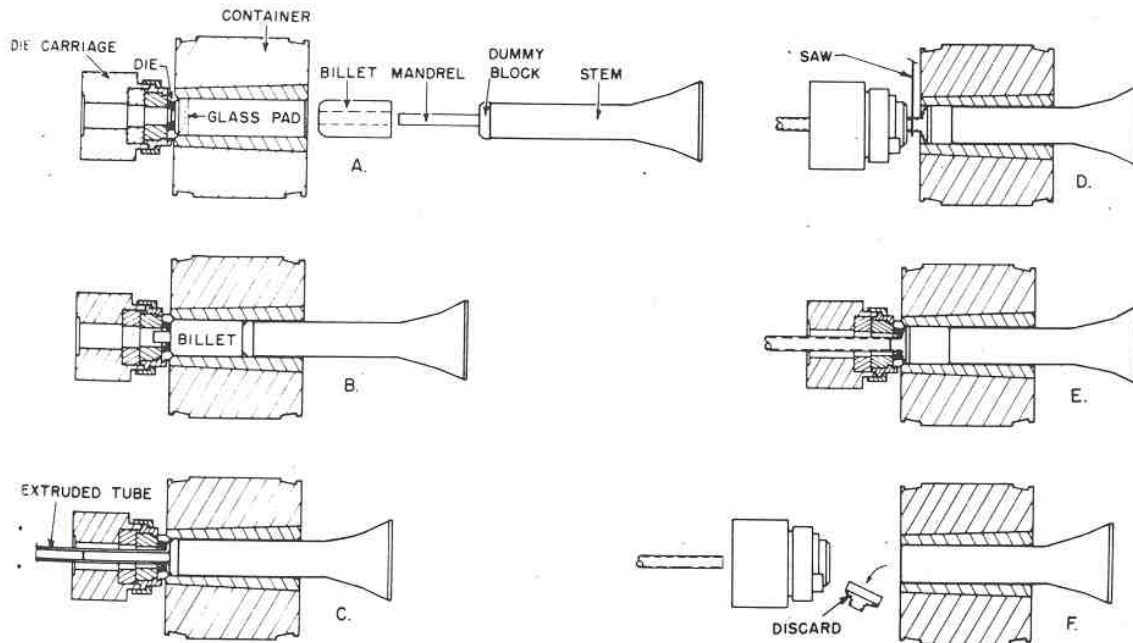


**Figure I-1**  
**Seamless pipe: Sequence of operations used to produce seamless pipe products by piercing and rolling**



Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products*, October 1980, p. 17.

**Figure I-2**  
**Seamless pipe: Cycle of operations in the production of an extruded tubular section**



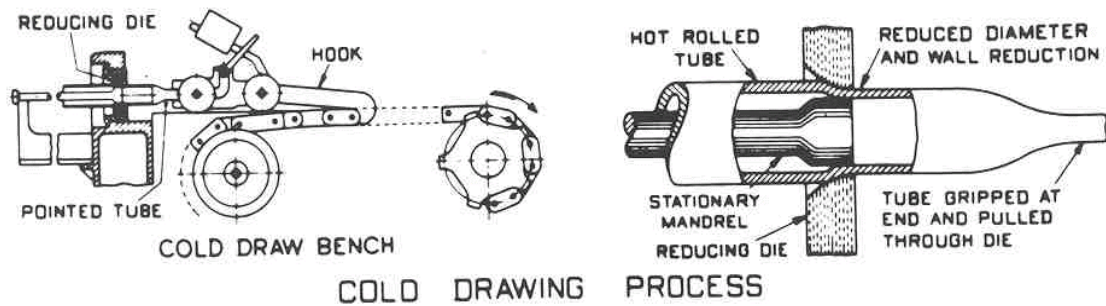
Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products*, October 1980, p. 19.

Whereas seamless SLP pipe is normally produced hot-finished, small diameter pipe of less than two inches in outside diameter is frequently cold drawn because hot-rolling of small diameter pipe is often not possible.<sup>61</sup> Pipe also may be cold drawn to provide a smoother surface and closer dimensional tolerances than that which can be produced by hot finishing. When pipe is to be cold drawn, seamless hollows (redraw hollows) are first pickled in acid to remove scale and oxides from both the outside and inside surfaces. Redraw hollows are then rinsed in water and coated with a lubricant for cold drawing. The hollow is pulled through a die and over an internal mandrel, which reduces the outside diameter and increases the length (figure I-3). The mandrel inside the hollow controls the inside diameter and the wall thickness. Following cold drawing, the hollows are annealed (heat treated).<sup>62</sup>

<sup>61</sup> The minimum diameter for hot rolling differs from producer to producer because of differences in equipment capabilities.

<sup>62</sup> Alloy steel pipe and carbon steel pipe may require heat treating, which may involve one or more heating cycles in either a continuous furnace or a batch furnace, with controlled rates of cooling. Specific heat treating requirements are dependent upon the grade of steel being processed and the specification to which the steel is produced. The same processes and equipment are used to heat treat carbon and alloy SLP pipe. There are no additional processes that alloy SLP pipe must undergo compared to carbon SLP pipe. USITC staff e-mail correspondence with \*\*\*, March 20, 2005.

**Figure I-3**  
**Seamless pipe: Diagram of the cold drawing process**



Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products*, October 1980, p. 25.

Finishing operations on subject seamless SLP pipe include straightening, cutting to length, inspection, testing, end finishing (e.g., beveling or threading), and coating. Pipes may be furnished galvanized (hot-dip zinc coated) and may be threaded and coupled.

Other steel seamless tubing products that are produced on the same equipment as subject seamless SLP pipe include seamless SLP pipe with an outside diameter greater than 4.5 inches, coupling stock, mechanical tubing, OCTG, pressure tubing, and structural pipe and tubing, all of which may be made of alloy steel or carbon steel. Table I-5 shows the quantity of shipments in the United States of all seamless tubular products from 2001 through 2006, as reported by AISI. These data may not include shipments of all producers and do include production of seamless SLP pipe in diameters greater than 4.5 inches. However, they indicate that seamless SLP pipe declined as a share of seamless tubular products by reporting companies from 22.9 percent in 2001 to 16.9 percent in 2005 but increased in 2006 to 20.4 percent.

**Table I-5**  
**Seamless carbon and alloy steel tubular products: Domestic shipments by U.S. producers, 2001-06**

Item	Calendar year					
	2001	2002	2003	2004	2005	2006
<b>Quantity (short tons)</b>						
Seamless SLP pipe	415,199	299,515	265,092	338,979	347,288	435,522
OCTG	986,392	706,672	915,796	1,202,742	1,273,732	1,286,908
Mechanical tubing	383,217	333,766	311,004	356,811	369,672	346,541
Pressure tubing	29,326	( <sup>1</sup> )	( <sup>1</sup> )	34,055	41,874	46,670
Structural pipe and tubing, pipe for piling	7,946	35,853	38,451	20,355	18,494	19,833
Total	1,822,080	1,375,806	1,530,343	1,952,942	2,051,060	2,135,474
<sup>1</sup> None reported.						
Note.--Data include shipments of pipe with outside diameters greater than 4.5 inches.						
Source: AISI, 10P Report, 2001 through 2006.						

## Marketing

The vast majority of domestic seamless SLP pipe and all reported imported seamless SLP pipe is sold through distributors. Some distributors are master distributors and sell to other distributors. Seamless SLP pipe is also sometimes sold directly to end users. Table I-6 presents data on U.S. producers' and importers' shipments of seamless SLP pipe by channel of distribution.

**Table I-6**

**Seamless SLP pipe: U.S. producers' and U.S. importers' channels of distribution, 2001-05, January-September 2005, and January-September 2006**

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### DOMESTIC LIKE PRODUCT ISSUES

In the original investigations and the first five-year reviews regarding this product, the Commission examined the issue of whether carbon seamless pipe and alloy seamless pipe should be separated into two distinct like products.<sup>63</sup> The presence of alloying elements in the pipe grants it the ability to withstand greater temperatures, pressure, and corrosiveness than carbon seamless pipe.<sup>64</sup>

In the original investigations and the first five-year reviews, the Commission found that carbon and alloy seamless pipe constituted a single domestic like product. It observed that although the chemical composition, as well as the end uses, of the two products may differ, these differences were less significant than the products' similarities, including the same general physical characteristics, interchangeability for most end uses, similar channels of distribution, and production using the same equipment and labor.<sup>65</sup> In their submissions to the Commission in the course of these reviews, the domestic interested parties stated that they support the Commission's definition of the domestic like product made in the original investigations and the first five-year reviews.<sup>66</sup> Respondent interested parties did not raise any issues regarding the Commission's original domestic like product determination.<sup>67</sup> No party requested that the Commission collect additional information or data with respect to like product considerations following review of draft questionnaires.<sup>68</sup>

In both the original investigations and the first reviews, the Commission found that redraw hollows are included in the domestic like product although certain redraw hollows are excluded from the

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<sup>63</sup> See *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 2910 (July 1995), pp. I-12-13; *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Japan and South Africa*, USITC Publication 3311 (June 2000), pp. 9-11; and *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 3429 (June 2001), pp. 5-8.

<sup>64</sup> See confidential first review report (INV-Y-104, May 24, 2001), p. I-21.

<sup>65</sup> See *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 2910 (July 1995), pp. I-12-13; and *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 3429 (June 2001), pp. 5-8.

<sup>66</sup> U.S. Steel and Koppel Steel's response to notice of institution, July 24, 2006, p. 24.

<sup>67</sup> Benteler Stahl and Benteler Steel and Tube's response to notice of institution, July 21, 2006, p. 9, and Siderca response to notice of institution, July 21, 2006, p. 9.

<sup>68</sup> U.S. Steel and Koppel Steel's comments on draft questionnaires, October 3, 2006.

scope of these orders.<sup>69</sup> No party in these reviews has argued that redraw hollows should not be included in the domestic like product.

## U.S. MARKET PARTICIPANTS

### U.S. Producers

The Commission sent producer questionnaires to six firms which were identified as producers by the parties and in the earlier investigations on seamless SLP pipe. Four firms provided the Commission with responses: (1) Koppel Steel Corp. (“Koppel”); (2) Sharon Tube Co. (“Sharon”); (3) The Timken Co. (“Timken”); and (4) U.S. Steel Corp. (“U.S. Steel”). Two firms indicated that they had not produced seamless SLP pipe in years.<sup>70 71</sup> Table I-7 presents a list of the U.S. producers that responded to the Commission’s questionnaires, with each company’s production location(s), share of reported 2005 production, and position on continuation of the orders. These four companies are believed to represent the vast majority of the production of the seamless SLP pipe in the United States during the period for which data were collected.

**Table I-7**  
**Seamless SLP pipe: U.S. producers, production locations, shares of reported 2005 production, and positions on the continuation of the orders**

Firm	Production locations	Share of 2005 production (percent)	Position on continuation
Koppel Steel <sup>1</sup>	Beaver Falls, PA	***	***
Sharon Tube <sup>2</sup>	Sharon, PA	***	***
Timken	Canton, OH	***	***
U.S. Steel	Fairfield, AL & Lorain, OH	***	***

<sup>1</sup> Koppel is a wholly owned subsidiary of NS Group, Inc., of Newport, KY. In December 2006, welded line pipe producer IPSCO (Lisle, IL) acquired NS Group, including Koppel.  
<sup>2</sup> Sharon Tube's production of seamless SLP pipe \*\*\*. All of Sharon Tube's purchases from \*\*\* are redraw hollows and all its \*\*\* are \*\*\*. E-mail from \*\*\*, December 18, 2006.

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

Since the original investigations, the U.S. industry has experienced consolidation and an overall reduction in the number of U.S. producers of seamless SLP pipe. During the Commission’s original investigations, there were eight U.S. producers of small diameter seamless SLP pipe. These companies included (1) Gulf States Tube Co. (“Gulf States”); (2) Koppel; (3) Michigan Specialty; (4) Plymouth Tube; (5) Sharon Tube; (6) Timken; (7) USS Fairfield; and (8) USS Lorain.

<sup>69</sup> See *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 2910 (July 1995), pp. I-11-12 and *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, USITC Publication 3429 (June 2001), p. 7.

<sup>70</sup> Michigan Seamless Tube, LLC (“Michigan Seamless”), did not provide the Commission with a producer questionnaire and responded that “\*\*\*.” E-mail from \*\*\*. In the first reviews, Michigan Specialty (now Michigan Seamless Tube, LLC) produced seamless SLP pipe and accounted for less than \*\*\* percent of U.S. seamless SLP pipe production in 2000.

<sup>71</sup> Plymouth Tube Co. (“Plymouth Tube”) reported that it has not produced seamless SLP pipe since January 1, 2001. During the first reviews, Plymouth Tube stated that it was a \*\*\* privately held company and that \*\*\*.

In 2000, the parent company of Gulf States, Vision Metals, Inc., filed for bankruptcy and closed its Rosenberg, TX, seamless SLP pipe production facility. Presently, the production facility is idle. In 2002, Michigan Seamless Tube, Inc., was created to purchase the Michigan Specialty Tube Division of its defunct parent company, Vision Metals. Presently, Michigan Seamless is a part of Atlas Holdings, LLC (a private equity firm), and no longer produces seamless SLP pipe. In December 2006, plate and large diameter welded pipe producer IPSCO (Lisle, IL) acquired NS Group, the parent company of Koppel Steel.<sup>72</sup> On January 30, 2007, Sharon Tube announced that it signed a definitive agreement to be acquired by John Maneely Company (the parent company of Wheatland Tube and Atlas Tube).<sup>73</sup> USS Lorain in the original investigations was U.S. Steel's facility at Lorain, Ohio that produced seamless SLP pipe. Currently, U.S. Steel produces seamless SLP pipe at two facilities, Fairfield, Alabama, and Lorain, Ohio.<sup>74</sup> Finally, as noted previously, Plymouth Tube no longer produces seamless SLP pipe.

### **U.S. Importers**

The Commission sent importer questionnaires to 35 firms believed to be importers of seamless carbon and alloy SLP pipe, including all U.S. producers.<sup>75</sup> Questionnaire responses were received from 22 companies, 11 of which reported that they do not import the subject product. Table I-8 presents a summary of information regarding U.S. importers of seamless SLP pipe.

Two importers are related to foreign exporters of the subject product in subject countries. The U.S. importer Vallourec & Mannesmann Tubes Corp. ("V&M Tubes") is a wholly owned subsidiary of Vallourec & Mannesmann Tubes S.A. of Boulogne, France, which is in turn a wholly owned subsidiary of Groupe Vallourec. Vallourec and Mannesmann Tubes S.A. wholly owns V&M Tubes do Brasil ("V&M Brazil") and V&M Tubes Germany ("VMD"). The U.S. importer Tenaris Global Services (USA) Corp. ("Tenaris"), formerly known as "Siderca", is a wholly owned subsidiary of Tenaris S.A. of Luxembourg. Tenaris SA of Luxembourg has affiliations with seamless tube producers Dalmine (Italy), Siderca (Argentina), Algoma Tubes (Canada), Tavsa (Venezuela), Tamsa (Mexico), Silcotub (Romania), and NKK Tubes (Japan).

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<sup>72</sup> IPSCO press release, "IPSCO Acquires NS Group" (December 1, 2006), found at <http://ipSCO.com>, retrieved December 11, 2006.

<sup>73</sup> The Carlyle Group press release, "John Maneely Company to Acquire Sharon Tube Company" (January 30, 2007, found at <http://carlyle.com>, retrieved February 28, 2007) and "Sharon Tube Sale Closes, CEO Bill Perrine Retires" (February 20, 2007, found at [http://www.sharon-herald.com/homepage/local\\_story\\_051213234.html](http://www.sharon-herald.com/homepage/local_story_051213234.html), retrieved February 28, 2006). The sale is expected to close in the first quarter of 2007.

<sup>74</sup> U.S. Steel also produces nonsubject products, such as OCTG, at both of these facilities. U.S. Steel's producer questionnaire response, attachment 1.

<sup>75</sup> The Commission sent questionnaires to those firms identified by the parties, along with firms identified by \*\*\* as having imported certain seamless pipe classified under the subject HTS subheadings during the period examined. Recipients of producer questionnaires were also sent importer questionnaires.

**Table I-8****Seamless SLP pipe: U.S. importers, source of imports, U.S. headquarters, and parent company**

Firm	Source of imports	Headquarters	Parent company
Commercial Metals Co.	***	Irving, TX	None
Duferco Steel, Inc.	***	Matawan, NJ	Nina Finance, Luxembourg (100%)
Connectors, Inc.	***	Hauppauge, NY	None
Man Ferrostaal, Corp.	***	Houston, TX	Man Capital Corp., U.S.A., (100%)
Norca Industrial Co.	***	Great Neck, NY	None
Sumitomo Corp. of America	***	New York, NY	Sumitomo Corp., Japan (100%)
Tenaris Global Services	***	Houston, TX	Tenaris S.A., Luxembourg (100%)
TPCO Enterprise, Inc.	***	Houston, TX	Look Ease Enterprise, Inc., U.S.A. (***) Tianjin Pipe International Economic & Trading Corp., China (***)
V&M Tubes Corporation	***	Houston, TX	V&M Tubes, France (100%)
Voest Alpine Tubular Corp.	***	Houston, TX	Voestalpine Tubulars GmbH, Austria (100%)

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

### U.S. Purchasers

The Commission sent questionnaires to 92 firms that were believed to be purchasers of certain seamless SLP pipe since 2001. Usable responses were received from 17 purchasers. The geographical distribution of respondents was as follows: California, Louisiana, Missouri, Ohio, New York, Oklahoma, Pennsylvania, Texas, and West Virginia. U.S. purchasers, their sources, U.S. locations, and type of firm, are shown in table I-9.

**Table I-9****Seamless SLP pipe: U.S. purchasers, their sources of purchases, U.S. locations, and types of firms**

\* \* \* \* \*

**APPARENT U.S. CONSUMPTION AND MARKET SHARES**

Apparent U.S. consumption for seamless SLP pipe increased from 2001 to 2005, and was higher in interim 2006 than in interim 2005, following a strong demand in the oil and gas industry.<sup>76</sup> Table I-10 presents apparent U.S. consumption for seamless SLP pipe.

**Table I-10**  
**Seamless SLP pipe: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2001-05, January-September 2005, and January-September 2006**

Item	2001	2002	2003	2004	2005	Jan.-Sept.	
						2005	2006
<b>Quantity (short tons)</b>							
U.S. producers' U.S. shipments	***	***	***	***	***	***	***
U.S. imports from--							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Total subject imports	***	***	***	***	***	***	***
Other sources	96,667	79,606	91,400	129,850	118,484	91,020	126,725
Total imports	***	***	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***	***	***
<b>Value (\$1,000)</b>							
U.S. producers' U.S. shipments	***	***	***	***	***	***	***
U.S. imports from--							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Total subject imports	***	***	***	***	***	***	***
Other sources	63,012	54,162	65,560	95,347	123,329	94,709	126,198
Total imports	***	***	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.							

<sup>76</sup> Hearing transcript, p. 63 (Stoner). A witness for Koppel, however, suggested that demand for seamless SLP pipe appears to be weakening, stating that “oil and gas prices have both fallen” and that its order book for seamless SLP pipe was “relatively strong” during the first half of 2006, but are “experiencing significant declines” for the third and fourth quarter of 2006. Hearing transcript, p. 43 (Ramsey).



Despite strong demand for seamless SLP pipe after 2003, U.S. producers' market share for seamless SLP pipe declined during the period for which data were collected, reportedly due to the growth of imports from nonsubject countries.<sup>77</sup> Table I-11 presents U.S. market shares for seamless SLP pipe.

**Table I-11**

**Seamless SLP pipe: U.S. market shares, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

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<sup>77</sup> Hearing transcript, p. 20 (Hecht) and p. 28 (Vaughn).



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

### MARKET CHARACTERISTICS

Seamless SLP pipe is produced and sold in both carbon steel grades and alloy steel grades. In the United States the majority of carbon steel seamless SLP pipe is produced to triple and quadruple certification as standard, line, and pressure pipe; most pipe with a diameter of less than 2 inches, however, is only certified as pressure pipe. Alloy steel seamless SLP pipe is less widely used than carbon steel seamless SLP pipe, usually in high pressure applications.

U.S. producers sell mainly to distributors although \*\*\* also sell to end users. All five responding importers of seamless SLP pipe from subject and nonsubject countries \*\*\* only to distributors throughout the period covered by these reviews, just as in 2000. In 2005, U.S. producers reported that \*\*\* percent of their seamless SLP pipe was sold to distributors and the remainder was sold to end users. In 2000, U.S. producers sold \*\*\* percent of their carbon steel seamless SLP pipes and \*\*\* percent of alloy product through distributors.

Fourteen of 18 responding purchasers of seamless SLP pipe were distributors and four were end users. \*\*\*. Eleven of the distributors reported selling to the oil and gas or energy industries, one reported that it was a master distributor, and three reported selling to both distributors (including stockists identified as “supply houses”) and end users. Distributors also reported selling to firms that used seamless SLP pipe for construction, food plants, paper mills, chemical plants, refineries, mechanical or structural uses, casing, ship building, fabricators, and transmission and/or gathering (generally of oil and natural gas).

All four responding U.S. producers reported selling nationwide. Two of eight responding importers sell nationwide with the remaining six selling in various regions including the Northeast, the Mid Atlantic, the Midwest, the Southeast, the Southwest, and the West Coast. \*\*\*. Three of four responding producers reported that they arrange transportation to their customers while one reported that its customers arrange transportation. In contrast, only one of eight importers reported arranging transportation to its customers while seven reported that their customers arranged transportation.

Three of four U.S. producers sold some product (ranging from 2 to 10 percent of sales) to locations less than 100 miles from their facilities; three sold most of their product to locations between 101 and 1,000 miles from their facilities; and one sold most of its product to locations more than 1,000 miles from its facilities. Importers were asked if their sales were from the U.S. port of entry, U.S. storage facility, or sold delivered. All seven responding importers reported selling from U.S. port of entry. Four of these importers reported knowing the distance to their purchasers from the U.S. port of entry; one reported that “most” of its customers were within 100 miles of the U.S. port of entry; and the other three reported that \*\*\* percent of the customers were within 100 miles of the U.S. port of entry and the remainder were 101 to 1,000 miles of the U.S. port.<sup>1</sup> Only one importer reported the cost of transportation from port of entry to customer, reporting that this was \*\*\* percent.

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<sup>1</sup> E-mail responses to Commission questions received January 18-February 4, 2007. These responses clarified initial reporting that focused on distance between the production or storage facility and the U.S. customer.

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. Supply

#### Domestic Supply

Based on available information, staff believes that U.S. seamless SLP pipe producers are likely to respond to changes in demand with small to moderate changes in shipments of U.S.-produced seamless SLP pipe to the U.S. market. Factors contributing to this degree of responsiveness are discussed below.

#### *Industry capacity*

U.S. producers' capacity for producing seamless SLP pipe increased irregularly from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. U.S. producers' reported capacity utilization for seamless SLP pipe fluctuated from 2001 to 2005, decreasing from \*\*\* percent in 2001 to \*\*\* percent in 2002, then increasing to \*\*\* percent in 2004 before falling to \*\*\* percent in 2005.

Typically, this low level of capacity utilization of U.S. producers of seamless SLP pipe would indicate that they have available capacity with which they could increase (or decrease) production of seamless SLP pipe in the event of a price change. Given the historically high prices, one would expect production to be closer to capacity. However, if changing levels of production requires major changes such as addition of new shifts, then the flexibility of the U.S. producers is likely lower than these capacity utilization figures normally would suggest. U.S. Steel reported that its capacity was based on running three shifts a day at its Lorain mill,<sup>2</sup> however, it reported last running three shifts in that facility in the beginning of 1998, since that time it has run only one shift.<sup>3</sup>

#### *Lead times*

Three of the four responding U.S. producers reported that they sell all of their seamless SLP pipe on a made-to-order basis while the other producer, \*\*\*, reported that it sold \*\*\* percent from inventories. Lead times reported by the three producers that produced all their product to order ranged from six to eight weeks. \*\*\*, in contrast, reported lead times of \*\*\* on sales from inventories and \*\*\* for "to order" sales. All eight responding importers reported selling seamless SLP pipe only on a "to order" basis, with lead times of two to five months. Purchaser Dixie Pipe reported that, if mill performance is good, imported product would be available to the distributors between 60 to 90 days after the date the product was offered/ordered.<sup>4</sup>

#### *Alternative markets*

Domestic producers' exports, as a percentage of total shipments, ranged from a low of \*\*\* percent to a high of \*\*\* percent between 2001 and 2005. Exports accounted for \*\*\* percent of total shipments in 2001 and \*\*\* percent of total shipments in 2005.<sup>5</sup> The relatively low level of exports during the period indicates that domestic seamless SLP pipe producers are likely to be constrained in their ability

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<sup>2</sup> Hearing transcript, pp. 151-152 (Broglie)

<sup>3</sup> U.S. producers' posthearing brief, exhibit 7, p. 2. U.S. Steel reports that in order to increase the number of its shifts it would need to have "sustained" demand. Hearing transcript, pp. 157-158 (Broglie). Chinese imports have, however, reduced the U.S. producers' market share. Hearing transcript, pp. 19-20 (Hecht).

<sup>4</sup> Hearing transcript, p. 129 (Durham).

<sup>5</sup> The higher level of exports in January-September 2006, \*\*\* percent of total shipments, reflects in part \*\*\*.

to shift shipments between the United States and other markets in response to price changes. Both responding U.S. producers reported that it was difficult to shift to export shipments, noting that low prices outside the United States made selling less practical; one firm also reported that it could only export high value items and that nontariff barriers were also important.

### *Inventory levels*

Since most sales are on a made-to-order basis, producers' inventories would be expected to be relatively low. U.S. producers' inventories, as a share of U.S. producers' total shipments, increased irregularly from \*\*\* percent in 2001 to \*\*\* percent in 2005; inventories accounted for the highest share of total U.S. producers' annual shipments in 2005. These moderate inventory levels suggest that U.S. producers have a some ability to respond to changes in demand with changes in the quantity shipped from inventories.

U.S. producers reported that distributors, rather than producers, tended to maintain inventories of seamless SLP pipe for the customer's immediate requirements. This relieved producers and end users of the need to maintain sizeable inventories, but exposed distributors to the risk of falling inventory values when prices declined.<sup>6</sup> Distributors reported that inventories are currently high, causing them to reduce their current purchases.<sup>7</sup>

### *Production alternatives*

Three of the four responding producers stated that they could switch production from seamless SLP pipe to other products. Three firms stated that they could switch to other forms of tube including mechanical tube and OCTG, and one firm also reported that it could switch to "semifinished products." Typically, OCTG is seen as more profitable than seamless pipe; however, while some types of OCTG are very profitable,<sup>8</sup> U.S. Steel reported that \*\*\*,<sup>9</sup> and that it currently has unused capacity that could be used to produce both these products. As noted at the hearing, U.S. producers try to balance their production of these products.<sup>10</sup>

## **Supply of Subject Imports to the U.S. Market**

### *Argentina*

Data on the industry in Argentina were available from one producer, Siderca, which reported that it accounted for all Argentine production. Siderca's capacity fell from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. Its capacity utilization rate ranged from a low of \*\*\* percent in 2002 to a high of \*\*\* percent in 2004, and increased from \*\*\* percent in 2001 to \*\*\* percent in 2005.

Inventories ranged from \*\*\* percent of shipments in 2004 to \*\*\* percent in 2002. Siderca reported that it produces seamless SLP pipe for exports based on purchase orders, while for the home market it either produces to order or for its regional customer service centers. This inventory, Siderca contends, is not available, as it is for a specific use for a specific customer to be supplied to the customer

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<sup>6</sup> Hearing transcript, pp. 93-94 (Leland and Durham).

<sup>7</sup> Hearing transcript, pp. 56, 61 (Durham and Binder).

<sup>8</sup> Hearing transcript, p. 137 (Ramsey).

<sup>9</sup> U.S. producers' posthearing brief, Exhibit 1, p. 15.

<sup>10</sup> Hearing transcript, p. 138 (Brogliè).

on a just in time basis.<sup>11</sup> Siderca characterized its inventories of subject product as material stored in the finished good yards for shipment to a customer because Siderca is \*\*\*.<sup>12</sup>

Siderca reported \*\*\* exports to the United States in any of the years of the period of review. Export shares decreased from \*\*\* percent in 2001 to \*\*\* percent in 2005. Exports to Asian countries other than China grew between 2001 and 2005 while shipments to all other major regions declined.

High capacity utilization, falling capacity,<sup>13</sup> and low inventories reduce the ability of Siderca to increase shipments to the United States, while relatively high (though falling in 2005) exports to other countries may indicate a greater ability to shift sales to the U.S. market.

Siderca reported that it directs its sales of seamless SLP pipe to supply petrochemical, gas-processing, and refinery construction projects, rather than to other uses.<sup>14</sup> <sup>15</sup> Siderca reports that most seamless SLP pipe sold in the United States is for maintenance or upgrading existing plants which is not its typical market.<sup>16</sup> Siderca reported that \*\*\*.<sup>17</sup>

### ***Brazil***

Data on the Brazilian industry were available from one producer, V&M Brazil, which accounted for all Brazilian production. V&M Brazil's capacity decreased from \*\*\* short tons in 2001 to \*\*\* short tons in 2005. Its capacity utilization rates were \*\*\* percent in 2001, reached their highest level in 2004 (\*\*\* percent) and then fell to the lowest levels (\*\*\* percent) in 2005. Reported inventories ranged from \*\*\* to \*\*\* percent of shipments and the reported share of its shipments exported to the United States ranged between \*\*\* percent and \*\*\* percent during 2001-05. Export shares increased erratically from \*\*\* percent in 2001 to \*\*\* percent in 2004, but then fell to \*\*\* percent in 2005. V&M Brazil reported that most exports were to markets in Latin American countries.<sup>18</sup>

The high share of sales to the home market, low inventories, and declining capacity reduce the ability of Brazilian producers to increase shipments to the United States, while some available capacity may indicate some ability to shift sales to the U.S. market.

### ***Germany***

Data on the German industry were available from all three known German producers. Reported German capacity was \*\*\* short tons throughout 2001-05, but increased from \*\*\* short tons in interim 2005 to \*\*\* short tons in interim 2006. German capacity utilization rates ranged from a high of \*\*\* percent in 2001 to a low of \*\*\* percent in 2005.<sup>19</sup> Throughout the period for which data were collected, German producers reported \*\*\* inventories. Exports to United States ranged from \*\*\* percent to \*\*\*

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<sup>11</sup> Hearing transcript, pp. 182-183 (Balkenende).

<sup>12</sup> Siderca' posthearing brief, exhibit 5, pp. 1-2.

<sup>13</sup> Capacity levels reportedly fluctuated because of changes in product mix. *See* Part IV. Siderca also reported it had made and was making \*\*\*. Siderca's prehearing brief, p. 8.

<sup>14</sup> Hearing transcript, p. 180 (Balkenende).

<sup>15</sup> *But see* the U.S. producers' posthearing brief, Exhibit 8.

<sup>16</sup> Hearing transcript, p. 184 (Balkenende).

<sup>17</sup> \*\*\*. Siderca's posthearing brief Appendix 1, question 2, pp. 3-5.

<sup>18</sup> Over \*\*\* percent, and in most years \*\*\* percent, of Brazil's exports were to "other markets" which V&M reported to be "Latin American Countries."

<sup>19</sup> The German producers report that they have full order books, and that Benteler is allocating its SLP and other seamless pipe to its regular customers. German prehearing brief, pp. 4-5.

percent between 2001 and 2005. Export shares declined from \*\*\* percent in 2001 to \*\*\* percent in 2005, with the largest share of the exports shipped within the European Union.

Stable capacity and low inventories reduce the ability of German producers to increase shipments to the United States, while relatively high exports and moderate capacity utilization rates may indicate a greater ability to increase sales to the U.S. market.

Benteler reported that it anticipated selling niche products not produced in the United States and that it has placed customers on allocation.<sup>20</sup> In addition, Benteler reported that Vallourec has tentatively agreed to sell VMD's Zeithain Works seamless pipe and tube mill to Salzgitter in connection with Salzgitter's acquisition of Vallourec Precision Etirage (VPE), France, a manufacturer of nonsubject cold-drawn precision tubes and wholly owned subsidiary of Vallourec, resulting in a net reduction of 200,000 tons in potential Germany capacity to produce and export seamless SLP pipe.<sup>21</sup> Salzgitter would acquire the Zeithain Works facility, which would supply VPE exclusively with seamless tube hollows as feedstock for the manufacture of cold-drawn precision tubes.<sup>22</sup> However, \*\*\*.<sup>23</sup>

### **U.S. Demand**

U.S. demand for seamless SLP pipe depends on its end-use markets. Seamless SLP pipe is used in oil and gas transmission, in construction and repair of refining facilities, the chemical industry, in power generation, and in mechanical applications for general construction. Because seamless SLP pipe is used extensively in the transmission and refining of gas and oil, demand is influenced by the price of gas and oil. While declining in recent months, still-high current gas and oil prices and oil future prices (figure II-1) and the relatively high rig count (figure II-2) are reflected in relatively high current demand for seamless SLP pipe. For seamless SLP pipe, construction also plays an important role in demand. GDP levels (figure II-3) reflect both construction and underlying demand for energy.

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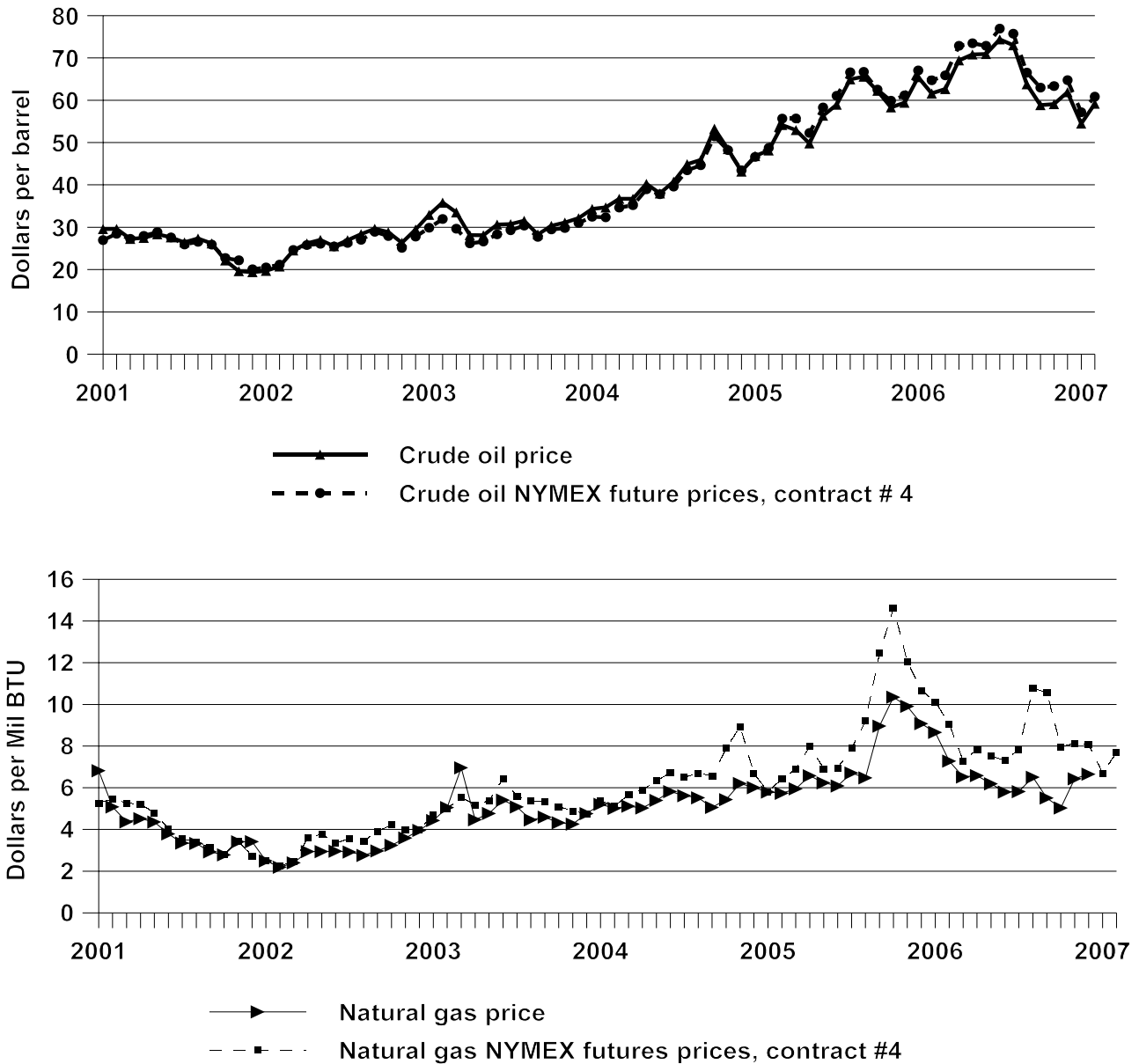
<sup>20</sup> Hearing transcript, pp. 191 and 193 (Herminghaus).

<sup>21</sup> Hearing transcript, p. 194 (Herminghaus); Vallourec press release, "Salzgitter AG and Vallourec reach a preliminary agreement regarding the possible acquisition of Vallourec's precision tubes activities," December 13, 2006.

<sup>22</sup> Vallourec press release, "Salzgitter AG and Vallourec reach a preliminary agreement regarding the possible acquisition of Vallourec's precision tubes activities," December 13, 2006.

<sup>23</sup> \*\*\*.

**Figure II-1**  
**Oil and gas: Monthly crude oil prices and future crude oil prices for WTI Cushing, OK crude, and future prices of natural gas,<sup>1</sup> January 2001 to February 2007**

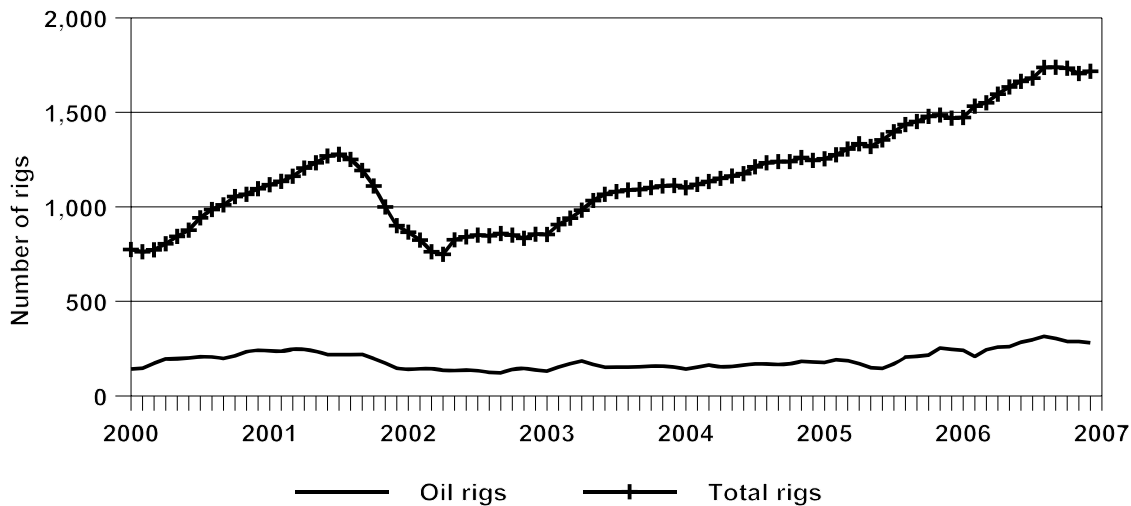


<sup>1</sup> Gas future prices are the price for the first reported day of the month.

Source: U.S. Energy Information Administration, <http://www.eia.doe.gov>, retrieved on February 23, 2007 and March 8 2007.

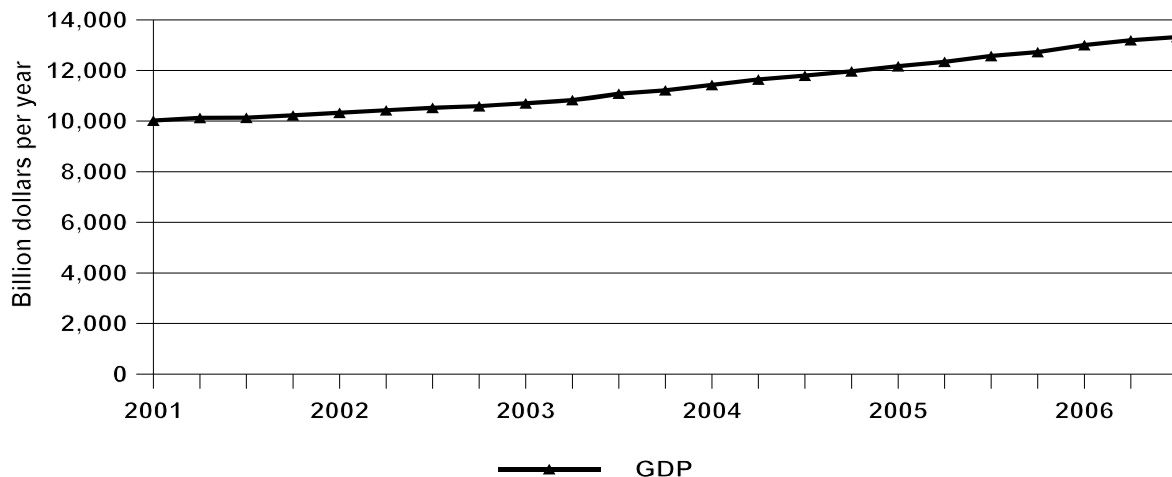


**Figure II-2**  
**Baker-Hughes U.S. rig count, of number of drilling rigs actively exploring for or developing oil or natural gas in the United States, monthly averages, January 2000 to December 2006**



Source: Baker-Hughes Rig Count.

**Figure II-3**  
**Gross domestic product: Quarterly GDP, first quarter 2001-third quarter 2006**



Source: International Financial Statistics, <http://ifs.apdi.net/imf/logon.aspx>, retrieved on February 26, 2007.

At the hearing a witness for purchaser Dixie Pipe reported that the NYMEX futures prices for gas and crude oil could be used as projections of future oil prices. “You can look at the NYMEX natural gas and crude oil futures, which is not just a government body making projections. These are people in the market that are contracting for future delivery, where a lot of money is to be made or lost based on the

projection being a good one.”<sup>24</sup> He reported that NYMEX futures prices indicate that the market expects energy price to “stabilize, if not decrease.”<sup>25</sup> It is, however, difficult to interpret NYMEX prices as these prices vary from day to day. In addition, the NYMEX does not take into account certain market situations or unanticipated changes in supply, as does the U.S. Department of Energy, Energy Information Administration (EIA) forecast which produces different scenarios with some covering price shocks. As of March 8, 2007, the NYMEX settle price for “light sweet crude oil” was \$66.79 per barrel for December 2007, \$67.94 for December 2008, and \$67.84 for December 2009 while natural gas prices were \$7.366 per MMBtu for April 2007, 9.159 for December 2007, and \$9.214 for March 2008.<sup>26</sup>

Price changes for seamless SLP pipe will likely usually have only a small effect on consumption. The substitutes for seamless SLP pipe are limited to a few applications and those in which the substitutes are specially engineered for these uses. However, seamless pipe can easily be substituted for welded pipe in most applications if there are problems with availability of welded pipe or if the price of seamless is low enough.<sup>27</sup> In addition, although the cost share of seamless SLP pipe tends to be high in most intermediate products such as welded fittings, the cost share of seamless SLP pipe in oil or gas refining is small. It is unlikely that there are many viable substitutes for the end products that use seamless SLP pipe.

## Demand Characteristics

Available data indicate that apparent U.S. consumption of seamless SLP pipe declined from \*\*\* short tons in 2001 to \*\*\* short tons in 2002 and then increased to \*\*\* short tons in 2004 before declining to \*\*\* short tons in 2005. Apparent U.S. consumption was substantially higher in January-September 2006 (\*\*\* short tons) than in January-September 2005 (\*\*\* short tons). Overall, apparent U.S. consumption in 2005 was \*\*\* percent higher than in 2001.

Overall demand for pipe and tube is reported in *Preston Pipe and Tube Report, United States and Canada*, published by Preston Publishing. This publication reported that for the steel pipe and tube market “all world markets are doing well,” which is unusual as typically “one or another global market is not doing well while others thrive.” In addition, it reported that “all segments are doing well both in welded and in seamless products.”<sup>28</sup> Preston reported that 2006 was the strongest year for every category of pipe and tube since 1981, and it expects that 2007 “will probably be on par” with 2006. “Seamless product will have some more pricing power with increases expected in the second and third quarters.”<sup>29</sup> According to Preston, seamless pipe production has been somewhat constrained recently by the high demand for high-margin OCTG, which some producers can produce on the same lines as seamless pipe.<sup>30</sup> Preston, however, predicted a small reduction in demand for OCTG. Reduction in demand for OCTG may allow U.S. producers to increase production of seamless SLP pipe. In addition, Preston reported that the demand fundamentals for pressure tube were strong, although this includes many products that are not

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<sup>24</sup> Hearing transcript, pp. 112-113 (Durham).

<sup>25</sup> Hearing transcript, pp. 112-113 (Durham).

<sup>26</sup> *Wall Street Journal*, March 8, 2007, p. C8. Two days earlier, on March 6, 2007, the futures prices were \$64.93 for December 2007, \$66.19 for December 2008, and \$66.16 for December 2009 while the natural gas futures prices were \$7.254 for April 2007, \$8.985 for December 2007, and \$9.045 for March 2008. *Wall Street Journal*, March 6, 2007, p. C8.

<sup>27</sup> Hearing transcript, pp. 196 and 198 (Herminghaus).

<sup>28</sup> *Preston Pipe and Tube Report, United States and Canada*, Vol. 24, No. 6, June 2006, p. 1. and Vol. 24, No. 8, August 2006, p. 1.

<sup>29</sup> *Preston Pipe and Tube Report, United States and Canada*, Vol. 22, No. 1, January 2007, p. 1.

<sup>30</sup> *Preston Pipe and Tube Report, United States and Canada*, Vol. 24, No. 7, July 2006, p. 1.

subject to these reviews.<sup>31</sup> On the other hand Metal Bulletin reports that the U.S. market for line pipe is “said to be lackluster with supply moderately outstripping demand.”<sup>32</sup>

Producers, importers, and purchasers were asked to discuss trends in demand in the United States since 2001. One of the three responding U.S. producers, four of the 10 responding importers, and four of the 16 responding purchasers reported that demand within the United States had not changed. One producer reported that demand had fluctuated with demand for oil and gas uses and for construction, and one purchaser reported that demand had first fallen and then risen because of demand in the energy industries. One importer reported that demand for its product had increased but they did not know about overall demand. One producer, five importers, and 11 purchasers reported demand had increased, reflecting increased demand in the oil, gas, energy, and petrochemical sectors.

Purchasers that were end users of seamless SLP pipe were asked if demand for their final products had changed since 2001. Three firms responded; one, \*\*\*, reported that demand had increased and two reported that demand had decreased. These firms reported that their demand for seamless SLP pipe had increased or decreased correspondingly, with one of these reporting that they were using more electric resistance welded (ERW) pipe in the place of seamless SLP pipe.

Firms were also asked about changes in demand outside of the United States. Two producers responded; one reported demand had increased with strong world demand for energy and one reported that demand had fluctuated with demand in the oil and gas industries. Three of five responding importers reported that demand had increased as a result of demand in the gas, oil, and energy sectors while two importers reported that demand was unchanged. Thirteen of 14 responding purchasers reported demand had increased outside the United States, noting that this growth was due to energy demand and economic growth. One purchaser reported that demand was unchanged.

Foreign producers were asked how demand had changed in their home markets, in the U.S. market, and in other markets. Three of the five responding foreign producers reported that demand in their home market was unchanged.<sup>33</sup> One foreign producer, \*\*\*, reported that demand had increased (due to increased demand in the oil and gas sectors) as well as economic growth \*\*\*, and the other foreign producer reported that demand changed every year. Two of three responding foreign producers reported that U.S. demand had increased and one reported that U.S. demand was unchanged. The firms reporting increased demand cited the increased demand for oil and gas, effects of the hurricanes, an aging pipe network needing replacement, and additional industrial demand. Four of five responding foreign producers reported that demand outside of the United States had increased and the other foreign producer reported that demand changed from year to year. Those firms indicating increased world demand noted the higher price of oil and gas and the resulting increase in investment in pipelines and refineries, increased construction in power generation, Canadian investment in oil sands, and Asian activity in shipbuilding and petrochemicals.

## **Predictions of Future Demand**

U.S. producers, importers, purchasers, and foreign producers were also asked if they anticipated future changes in demand in the U.S. market or in other markets. Their explanations of why changes were anticipated (or why no change was anticipated for those firms providing explanations) are presented in tables II-1 and II-2. One of three responding U.S. producers, six of nine responding importers, and 14 of 18 responding purchasers reportedly anticipated no changes in U.S. demand. Two of three responding

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<sup>31</sup> *Preston Pipe and Tube Report, United States and Canada*, Vol. 24, No. 11, November 2006, p. 38.

<sup>32</sup> *Metal Bulletin Research Seamless Steel Tube and Pipe Monthly*, Issue 17, February 2007, p. 2.

<sup>33</sup> One of the foreign producers reported that though demand was unchanged it had shifted production away from seamless SLP pipe to higher value-added products.

**Table II-1**

**Seamless SLP pipe: Anticipated changes in demand reported by producers, importers, and purchasers**

<b>Do you anticipate any future changes in seamless SLP pipe demand in the United States?</b>
<b>Producers</b>
***
***
<b>Importers</b>
***: "The <i>Preston Pipe and Tube Report</i> is forecasting an increase in demand of seamless line pipe of 148,000 tons or 32% for 2007. With U.S. producers running at full capacities, we anticipate shortages in supply."
***: "Slower, but steady growth providing oil and gas markets remain buoyant."
***: "Unfortunately, compared to the rest of the world, there is very little new investment in refineries, petrochemical and chemical plants."
***: "While we have not been actively involved in the SLP U.S. market, *** is aware that demand has increased in the last several years in the U.S. market. The U.S. refinery capacity is very tight and investment to expand this capacity (as well as rebuild in the United States after last year's hurricanes) are going to continue to drive up the demand for SLP in the United States."
***: "We don't expect significant changes in demand of the subject pipe as long as the crude oil prices linger between \$50 and \$65 per barrel."
***: (Anticipate no change.) "Demand is cyclical and will continue to be so."
<b>Purchasers</b>
***: "More demand for oil and natural gas in the world and the United States. Revamping refineries."
***: "With the sudden increase of imports from (the third world) and China has already begun to affect the domestic supply requirements."
***: "Within the next few years energy demand and needs will continue to grow."
***: "Demand for pipe will follow energy demand up and down."
***: "As the need for energy increases, more product consumption."
<b>Do you anticipate any future changes in seamless SLP pipe demand in the rest of the world, other than the United States?</b>
<b>Producers</b>
***
<b>Importers</b>
***: "*** is aware that demand has increased in last several years worldwide. The global refinery capacity is tight and investments to expand this capacity are going to continue to drive up the demand for SLP worldwide."
<b>Purchasers</b>
***: "Demand for oil and natural gas is on the increase world wide and it takes pipe to move product within all the countries."
***: "Need for energy, oil and gas and power plants - China and India."
***: "As the need for energy increases, more product consumption."
Source: Compiled from data submitted in response to Commission questionnaires.

**Table II-2  
Seamless SLP pipe: Anticipated changes in demand reported by foreign producers**

<b>Do you anticipate any future changes in SCASLP pipe demand in your home market and the United States and, if known, the rest of the world?</b>
***: "The <i>Preston Pipe and Tube Report</i> is forecasting an increase in demand of seamless line pipe of 148,000 tons or 32 % for 2007. With U.S. producers running at full capacity, we anticipate shortages in supply."
***: "No."
***: "**** expects strong demand for its seamless pipe products from the energy sector, particularly for the high-end pipes ***. We expect market conditions, particularly demand for our products *** from oil and gas customers, to remain favorable in the near future, and that any further cost increase will be offset by higher selling prices. ... Global demand for seamless pipes remains strong led by higher drilling activity in the oil and gas industry. The constant search for new oil and gas reserves has led to an increasing use of flowline pipes. In coming years, we can expect more activity with the participation of independent operators."
***: "**** expects an increase in demand ***, due to higher activity in the energy fields, where seamless steel SLP pipes are used in the construction of refineries and power generation stations."
***: "The fastest growing market is - according to our knowledge - China, where the supply is growing even quicker. That Chinese surplus should contribute to a surplus of SLP pipe ***."
Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers, five of six responding importers, and nine of 12<sup>34</sup> responding purchasers reported that they did not expect changes in demand outside the United States. However, four of five responding foreign producers reportedly expected demand in the United States and the rest of the world to change while one firm expected no change.

Future demand in large part depends on the future price of oil and gas predicted by end users. Prices of oil and gas have fallen from their recent highs, although futures prices remain at historically high levels. OPEC cut oil production in November, and, as a result, the price of West Texas Intermediate crude oil is projected to average \$62.23 per barrel in 2007, down only slightly from \$66 per barrel in 2006.<sup>35</sup> The Energy Information Agency short run and long run average price predictions for petroleum and natural gas are presented in figures II-4 and II-5.

Siderca reported that it expected future prices of oil and natural gas to remain high. Siderca believes that the current high price of oil is not because of a temporary imbalance in the market such as had occurred in 1995 and 2001, but reflected the greater demand for oil that is the result of economic growth in India and China.<sup>36</sup> Siderca projected demand for subject product for July-June business years 2006-07 would be \*\*\* short tons, falling to \*\*\* short tons in 2007-08, then rising to \*\*\* short tons in 2008-09 and \*\*\* short tons in 2009-10.<sup>37</sup> Siderca provided a 2006 \*\*\* report that predicted that U.S. drilling would increase in the second half of 2007. In the United States, it reported, new wells were profitable at gas prices above \$\*\*\*,<sup>38</sup> a level exceeded by current prices and predicted prices through 2008.<sup>39</sup>

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

<sup>35</sup> Energy Information Administration, Short-Term Energy Outlook, March 6, 2007, p. 1.

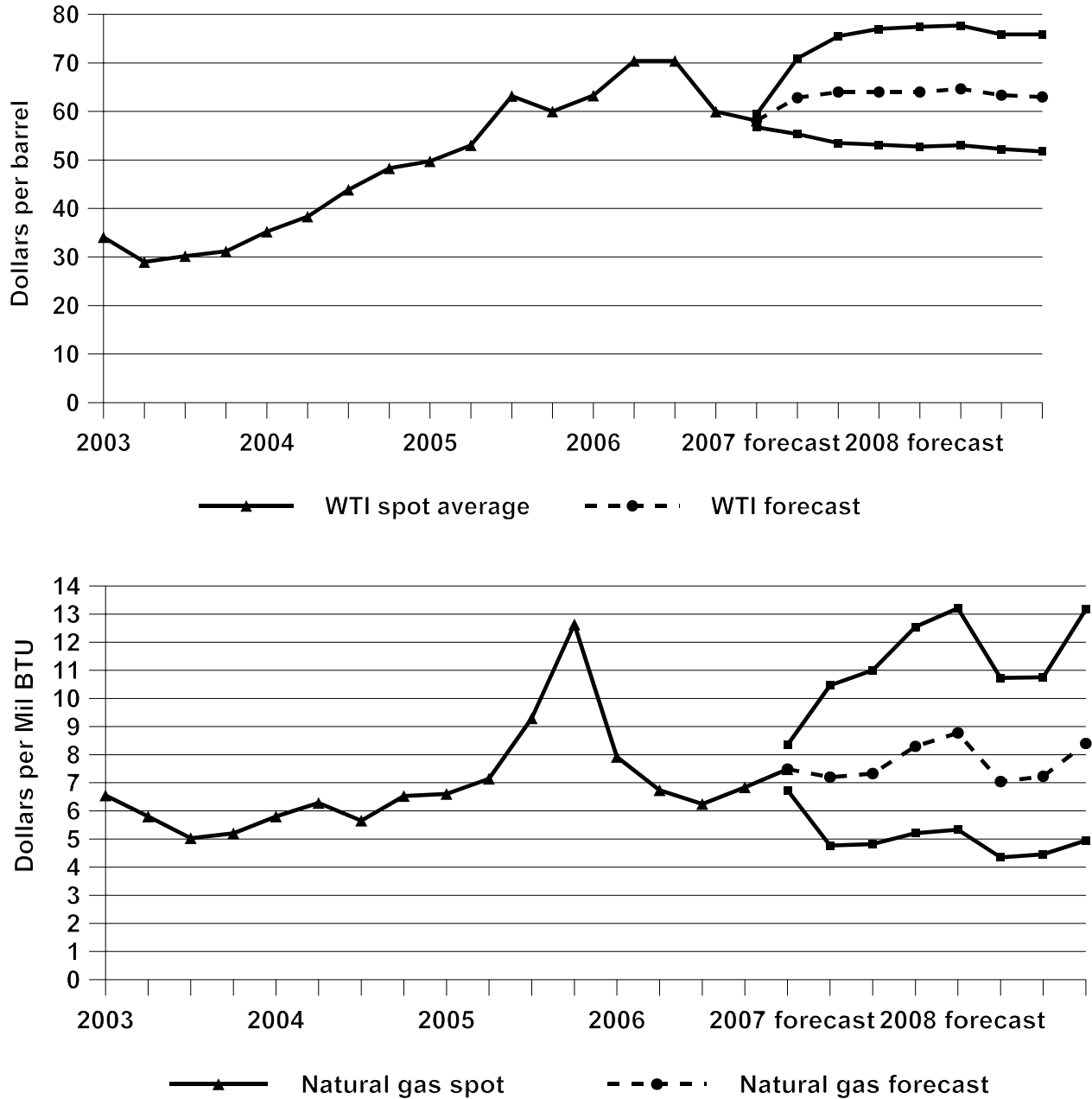
<sup>36</sup> Hearing transcript, pp. 254-255 (Balkenende and Spak).

<sup>37</sup> Siderca's posthearing brief, Question 2 p. 2.

<sup>38</sup> Siderca's posthearing brief, Exhibit 4 p. 1.

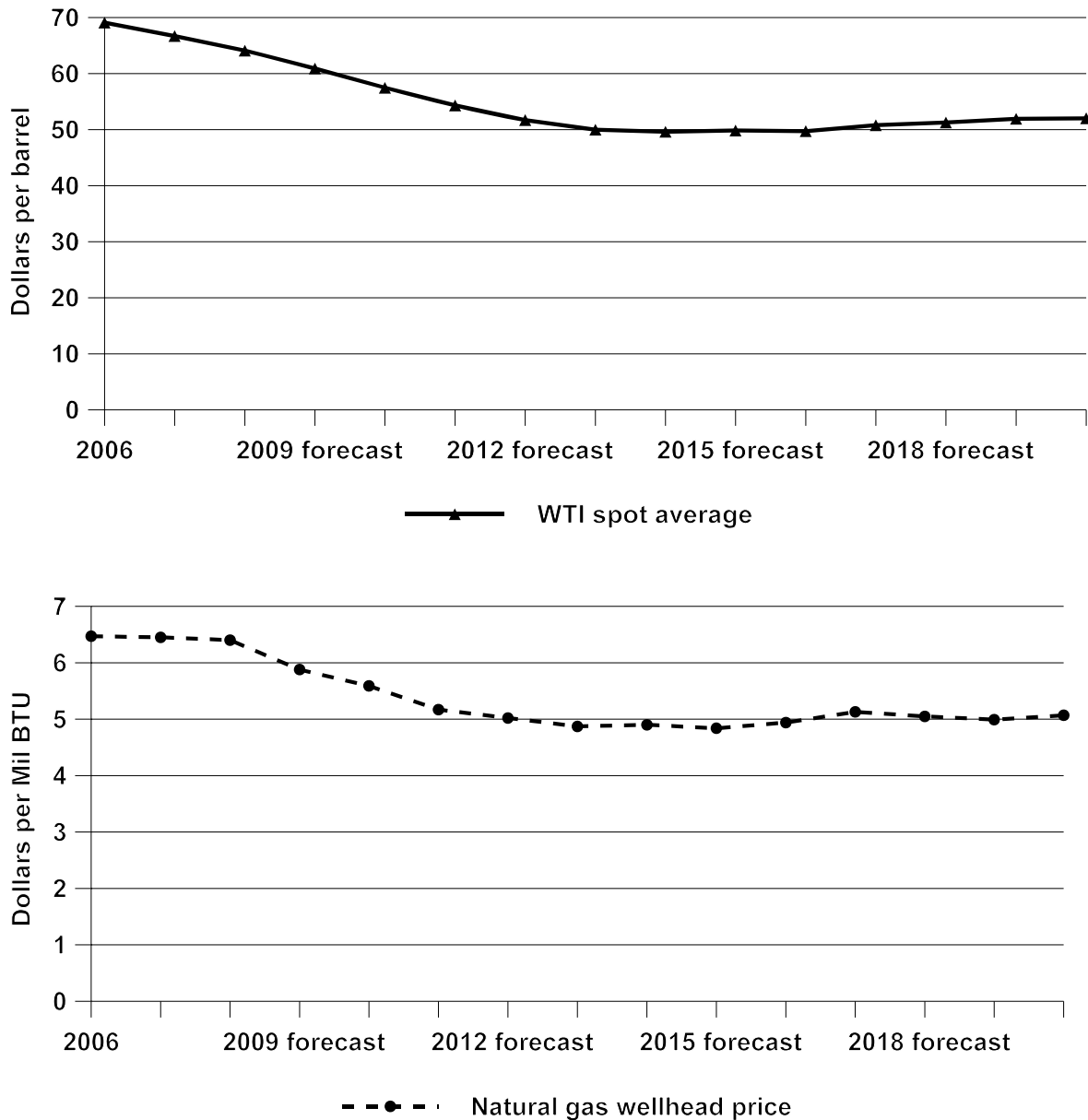
<sup>39</sup> Energy Information Administration, Short-Term Energy Outlook, February 2007, table 4.

**Figure II-4**  
**Oil and gas: Short term actual and predicted quarterly West Texas crude oil prices and Henry Hub spot prices of natural gas, first quarter 2006 to fourth quarter 2008 base case and 95 percent confidence interval**



Source: U.S. Energy Information Administration, <http://www.eia.doe.gov>, retrieved on March 8, 2007.

**Figure II-5**  
**Oil and gas: Long term actual and predicted quarterly West Texas crude oil prices and wellhead prices of natural gas, 2006 to 2020**



Source: U.S. Energy Information Administration, <http://www.eia.doe.gov>, retrieved on March 5, 2007.

### Substitute Products

The questionnaire asked for substitutes for carbon steel SLP pipe and alloy steel SLP pipe separately. Substitutes for seamless carbon steel SLP pipe are limited. Three of four responding producers, five of seven responding importers, and two of five responding foreign producers reported substitutes including welded pipe and nonmetal pipes. Seven of 15 responding purchasers reported

substitutes for seamless carbon SLP pipe, such as ERW pipe or double sub-merged arc welded pipe.<sup>40</sup> Fewer firms reported substitutes for seamless alloy steel SLP pipe. One of four responding producers, three of six responding importers, and one of four responding foreign producers reported substitutes including welded, plastic, and seamless stainless steel pipe. None of the purchasers reported that there were any substitutes for seamless alloy SLP pipe.

Firms were asked for the applications in which substitutes could be used; substitution was frequently reported to be possible in limited applications either where less strength was needed or when the substitute product had been engineered to a particularly high strength. In addition, some firms reported that substitutes were viable in standard and line pipe applications; in the transmission of oil, gas and water; in production of pipe nipples; in structural and engineering uses; and petrochemical applications (stainless steel pipe). One purchaser, however reported that substitutes were possible in “every use because lower prices and better/improved quality.”

None of the U.S. or foreign producers reported that changes in relative prices of substitutes have affected the price of seamless SLP pipe. Four of six responding importers and seven of the eight responding purchasers agreed that substitutes have not affected the price of seamless SLP pipe. Two importers and one purchaser, however, reported that the price of substitutes had affected the price of seamless SLP pipe. One importer reported that the price of substitutes put downward pressure on the price of seamless SLP pipe.

The domestic interested parties and respondent interested parties agreed there is some substitution between 4 inch full-bodied normalized welded and seamless SLP pipe.<sup>41</sup> However, the price of welded pipe was related to the price of flat products rather than the price of seamless pipe.<sup>42</sup> In addition, both reported that recently low-priced Chinese seamless pipe has been used in applications in which welded pipe was traditionally used, with respondent interested parties reporting this was occurring for substantial tonnage.<sup>43</sup> The respondent interested parties also report that the price gap between seamless pipe and welded pipe is normally about 15 percent. If the price of seamless pipe rises very much above this some purchasers will see “whether they could use the welded,” while if the prices of welded and seamless became the same, “a lot of people would probably use more seamless (rather) than welded.”<sup>44</sup>

## Cost Share

Seamless SLP pipe’s share of the total costs of intermediate products tends to vary noticeably between end uses. Purchasers were asked for the cost share of seamless SLP pipe in the products they produced. Three of four end user purchasers responded. One reported that the cost share of seamless pipe was 10 to 30 percent of the cost of \*\*\*, one reported that the cost share ranged from 45 to 66 percent of the cost of \*\*\*, and one reported that the cost share in \*\*\* was less than 0.1 percent.<sup>45</sup>

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<sup>40</sup> One purchaser reported both ERW pipe and full body normalized ERW pipe were substitutes for seamless carbon SLP pipe.

<sup>41</sup> Hearing transcript, pp. 135 and 196 (Durham, Balkenende).

<sup>42</sup> Hearing transcript, pp. 133 and 197 (Durham, Spak).

<sup>43</sup> Hearing transcript, pp. 135 and 217-218 (Durham).

<sup>44</sup> Hearing transcript, p. 198 (Herminghaus).

<sup>45</sup> This steel producer used subject product in maintenance and repair.



## **SUBSTITUTABILITY ISSUES**

The degree of substitution between domestic and imported seamless SLP pipe depends on factors such as specifications of the product that is produced in each country, product quality, consistency, relative price, and on conditions of sale such as reliability of supply, reliability of delivery, payment terms, and delivery/lead time. In the original investigations, staff reported that there was believed to be a moderate degree of substitution between domestic seamless SLP pipe and that imported from Argentina, Brazil, and Germany. In the first reviews, however staff reported it believed that U.S. and subject seamless SLP pipe were highly substitutable, with only longer lead times for subject product hindering substitutability.

In the original investigations, petitioners and respondents generally agreed that imported seamless SLP pipe competed directly with the U.S.-produced product and that both were sold through similar channels of distribution to similar markets. According to the staff report in the original investigations, sales representatives typically carried a range of seamless SLP pipe.<sup>46</sup> As noted in the original staff report, seamless SLP pipe could be substituted among producers with a fair amount of ease, since for most end users it is essential that it meet industry set standards.

In the current reviews, domestic interested parties report that subject seamless SLP pipe is a much better substitute for U.S.-produced product than is nonsubject, particularly Chinese, product.<sup>47</sup> They reported that this in large part was because Chinese producers are not yet on the major “approved manufacturers lists” (AMLs), while subject producers are typically on the AMLs.<sup>48</sup> On the other hand, the Argentine producer Siderca asserted that it is now attempting to serve the market for new plants, while the U.S. market is mainly a market for repairs and plant expansions.<sup>49</sup> Benteler Steel reported that it was not on most major AMLs because AMLs are primarily for maintenance and repair projects for refineries and petrochemical plants, which is an area which it is not very active.<sup>50</sup> Benteler also reported that it intends to sell in the United States “products that are either not manufactured here or manufactured very infrequently.”<sup>51 52</sup>

### **Factors Affecting Purchasing Decisions**

#### **Major Factors in Purchasing**

Purchasers were asked to identify the three major factors considered by their firm in deciding from whom to purchase seamless SLP pipe (table II-3). Quality (seven firms) and price (six firms) were reported as the most important factors by the largest number of purchasers; and quality (four firms) and availability (five firms) were most frequently reported as the second most important factor. Price was reported most frequently as the third most important factor (6 firms). Other factors listed among the top three factors by more than one purchaser were traditional supplier, AML listed/traditional supplier, acceptability, and delivery/reliability of delivery.

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<sup>46</sup> Channels of distribution for subject product were not discussed in the first reviews because there was little importation of this product.

<sup>47</sup> Hearing transcript, p. 70 (Hecht).

<sup>48</sup> Hearing transcript, pp. 46, 54, and 62 (Verellen, Leland, and Stoner).

<sup>49</sup> Hearing transcript, pp. 221-222 (Balkenende).

<sup>50</sup> Hearing transcript, pp. 247 and 257 (Herminghaus). \*\*\*.

<sup>51</sup> Hearing transcript, p. 251 (Herminghaus).

<sup>52</sup> AMLs are discussed as a discrete factor affecting purchasing decisions in the next section of this report.

**Table II-3****Seamless SLP pipe: Most important factors in selecting a supplier, as reported by purchasers**

Factor	First <sup>1</sup>	Second	Third <sup>2</sup>
Quality	7	4	3
Price	6	3	6
Availability	2	5	2
AML listed/ prearranged contract	2	0	0
Acceptability	2	0	1
Delivery/reliability of delivery	0	2	3
Other <sup>3</sup>	0	2	1

<sup>1</sup> One purchaser reported both quality and price as the most important factor and one reported both quality and acceptability as the most important factor. One firm reported only the most important factor.

<sup>2</sup> One purchaser reported both acceptability and price as the third most important factor.

<sup>3</sup> "Other" includes meeting specifications and product consistency as the second most important factors, and range of product line as the third most important factor.

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

**Factors Determining Quality**

Purchasers were asked to identify the factors that determine the quality of seamless SLP pipe. Eight of 18 responding purchasers reported that meeting specifications including API, ASTM, ASME, NACE, and ISO certification was important in determining quality. Other factors reported included lab tests; shape such as consistent wall thickness, straightness, roundness, appearance, and surface condition; physical characteristics such as mechanical properties, hardness, and chemistry; characteristics of the producer, such as universal acceptance of producer's product, being on AMLs, and the history of the manufacturer; other consistency factors such as variation in length, consistency, and tolerances; product liability insurance; and experience with the producer.

**Certification/Qualification Issues**

Purchasers were asked if they require prequalification of their suppliers. Fifteen of the 18 responding purchasers reported that they required prequalification for all of their purchases. The other three purchasers reported that they did not require prequalification, although one of these reported that it did tour suppliers' facilities. Purchasers were also asked if, since 2001, any domestic or foreign producer failed in its attempts to certify or qualify its seamless SLP pipe with their firm or if any producer lost its approved status. None of the 14 responding purchasers reported that any producer had been disqualified.

Purchasers were also asked what factors they consider in qualifying a supplier. Factors purchasers considered included: product characteristics quality and results of chemical and physical tests; and meeting API, ASME, and ASTM specifications; characteristics of the producers, financial strength, insurance, and reputation/customer acceptance; trial runs of the material; and price.<sup>53</sup> Eight purchasers reported the time that it took to qualify product or supplier. Responses ranged from one day to one year, with four of these firms reporting one day to one month.

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<sup>53</sup> One firm reported that it did not make the initial certification, as that was done by major energy companies.

## AMLs

Eleven of the 16 responding purchasers reported that either they or their customers used AMLs when considering the source of supply. Purchasers were asked what share of their purchase were made based on AMLs. Five responded as presented below.

- one reported that it purchased product off its AML lists only by special management approval;
  - one, \*\*\*, purchased off its AML only as a trial purchase for new suppliers;
  - one reported 90 percent of its purchases were based on AMLs;
  - one reported half its purchases were based on AML; and
  - one purchased less than half using AMLs, also reporting that AMLs are increasingly less relevant.
- In addition, one firm reported that it only purchased domestic seamless SLP pipe and it believed these producers were on all AMLs.<sup>54</sup>

Some of the major AMLs and a few minor ones are reported in table II-4. Most of the AMLs below include the Brazilian producer, the Argentina producer, and one of the German producers, V&MD. Only one of these AMLs, that for \*\*\*, includes a German producer other than V&MD; it includes Benteler. Three oil producers' AMLs each include one Chinese producer. \*\*\*

**Table II-4**  
**Seamless SLP pipe: U.S. and subject producers included on AMLs of end users**

\* \* \* \* \*

## Specific Sources

Purchasers were also asked whether they or their customers specifically ordered seamless SLP pipe from one country in particular over other sources of supply. Eight of 17 responding purchasers reported ordering by country. Of the six firms that reported the countries from which they ordered, five reported ordering specifically U.S. product or product produced by \*\*\*.<sup>55</sup> Reasons for preference of U.S. material included the preference of customers, quality, and speed of delivery.

Purchasers were asked if certain grades of seamless SLP pipe were available from only a single source. Fourteen of the 16 responding purchasers reported that no product was available only from a single source. One purchaser reported that chrome-moly alloy pipe A335/SA335 was available from foreign sources, but not U.S. producers, and the other purchaser did not report what products were available only from a single source.

## Purchases of the Lowest-Priced Product

Purchasers were asked if they always, usually, sometimes, or never purchase the lowest-priced product when buying seamless SLP pipe. One firm always purchased the lowest-priced product, nine usually purchased the lowest-priced product, (one reported both usually or sometimes), five sometimes purchased the lowest-priced product, and one never purchased the lowest-priced product.

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<sup>54</sup> Two purchasers provided AMLs for seamless SLP pipe. \*\*\* reported approved manufacturers for seamless SLP pipe included \*\*\*. \*\*\* reported approved manufacturers for seamless SLP pipe included \*\*\*. In addition, \*\*\* listed \*\*\* approved manufacturers for carbon steel pipe, some of which produce subject seamless SLP pipe, and \*\*\*.

<sup>55</sup> The other firm reported purchases from Austria, France, Italy, Brazil, Argentina, United States, and Japan, because these countries are on most AMLs.

## Purchases from Higher-Priced Sources

Purchasers were also asked if they purchased seamless SLP pipe from one source although a comparable product was available at a lower price from another source. Fourteen purchasers responded, with four of these reporting that they did not purchase from one source if a less expensive source was available. Two firms reported a preference for U.S. product. Other reasons reported by purchasers included: delivery/ logistics, reliability of delivery, customer acceptance of the manufacturer, quality, minimum order size, quantity allocations, and availability. One purchaser reported that over 50 percent of its customers bought on price, but did not report factors that would cause them to purchase other than price.

## Importance of Specified Purchase Factors

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table II-5). The factors most often rated as very important were quality meets industry standards (18 firms); product consistency (17 firms); availability (16 firms); and price, reliability of supply, and delivery time (15 firms each). No other factor was rated as very important by half or more of the responding purchasers.

**Table II-5**  
**Seamless SLP pipe: Importance of purchase factors, as reported by purchasers**

Factor	Very important	Somewhat important	Not important
	<i>Number of firms responding</i>		
Availability	16	2	0
Delivery terms	7	11	0
Delivery time	15	3	0
Discounts offered	3	11	4
Extension of credit	6	8	4
Price	15	3	0
Minimum quantity requirement	4	10	4
Packaging	2	10	6
Product consistency	17	1	0
Quality meets industry standards	18	0	0
Quality exceeds industry standards	5	10	3
Product range	6	9	3
Reliability of supply	15	3	0
Technical support/service	7	8	3
U.S. transportation costs	6	9	3

Note:--Not all firms responded for all questions.  
Source: Compiled from data submitted in response to Commission questionnaires.

## Purchases from Specific Producers and Countries

Purchasers were asked how frequently they and their customers purchased seamless SLP pipe from specific producers and from specific countries. The following tabulation summarizes the responses.

<u>Purchaser/customer decision</u>	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
Purchaser makes decision based on producer	7	3	5	2
Purchaser's customer makes decision based on producer	0	7	5	2
Purchaser makes decision based on country	2	3	4	7
Purchaser's customer makes decision based on country	0	3	7	3

Seven of 17 responding purchasers reported that they always make purchasing decisions based on the producer of the seamless SLP pipe, but seven of the 16 responding purchasers never make purchase decisions based on the country of origin. Their customers are less likely to make decisions based on the producer or the country of origin, although seven of the 14 responding purchasers reported that the producer was usually important for their customers and for 10 of the 13 the country of origin was at least sometimes important for their customers. Of those purchasers that reported that they always make decisions based on the manufacturer, reasons cited included quality of product, ability to meet specifications, approved manufacturers, mill warranties, price, and ability to provide MTRs (Mill Traceability Report or Materials Test Report).

### **Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports**

#### **Interchangeability**

Producers, importers, and purchasers were asked to report how frequently seamless SLP pipe from different countries was interchangeable (table II-6). Two U.S. producers reported that the domestic product and product imported from subject and nonsubject countries were always interchangeable while one reported that U.S. product and imported product were sometimes interchangeable. Eight importers responded regarding the interchangeability between U.S. product and subject product and between subject product from the various countries. For both Brazil and Argentina, three reported they were always interchangeable, four reported they were frequently interchangeable, and one reported that they were sometimes interchangeable. For Germany, three reported they were always interchangeable, three reported they were frequently interchangeable, and two reported they were sometimes interchangeable. Purchasers' responses varied, but most reported that U.S. and subject imports were always interchangeable. Comparing U.S. or subject product with nonsubject product purchasers, the most common response was "always," but a number of firms also reported "frequently" or "sometimes."

#### **Reasons for Non-Interchangeability**

Firms were asked to explain why products from country pairs were not interchangeable. Three purchasers and four importers responded. One purchaser reported that interchangeability depends on whether manufacturers were on AMLs, one reported country of origin was not as important as other factors, and one reported that if mills meet specifications then their product was interchangeable.<sup>56</sup> Differences reported by importers included AMLs/mill qualifications, application-specific considerations, market standards could limit interchangeability, and Japanese product must be used in some deep water applications.<sup>57</sup>

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<sup>56</sup> One purchaser reported that carbon product was always interchangeable for every country pair, but that alloy pipe is not produced in the United States.

<sup>57</sup> Japan reportedly produces specialty products that are not produced by other countries.

**Table II-6**  
**Seamless SLP pipe: U.S. firms' perceived degree of interchangeability of products produced in the United States, subject, and nonsubject countries<sup>1</sup>**

Country comparison	U.S. producers				U.S. importers <sup>2</sup>				U.S. purchasers <sup>3</sup>			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Argentina	2	0	1	0	3	4	1	0	7	3	0	0
U.S. vs. Brazil	2	0	1	0	3	4	1	0	7	3	0	0
U.S. vs. Germany	2	0	1	0	3	3	2	0	11	2	0	0
Argentina vs. Brazil	2	0	0	0	4	3	1	0	6	1	0	0
Argentina vs. Germany	2	0	0	0	3	3	1	0	6	1	0	0
Brazil vs. Germany	2	0	0	0	3	3	1	0	6	1	0	0
U.S. vs. nonsubject	2	0	1	0	2	4	4	1	8	3	3	0
Argentina vs. nonsubject	2	0	0	0	2	4	3	0	4	1	2	0
Brazil vs. nonsubject	2	0	0	0	2	4	3	0	4	1	2	0
Germany vs. nonsubject	2	0	0	0	2	4	3	0	5	2	2	0

<sup>1</sup> Producers, importers, and purchasers were asked if seamless SLP pipe produced in the United States and in other countries is used interchangeably.  
<sup>2</sup> Some importers gave more than one response when comparing U.S. and subject product with nonsubject product, with responses based on country of origin.  
<sup>3</sup> One purchaser gave two response when comparing U.S. with nonsubject product, with responses based on country of origin.

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

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

### Importance of Differences Other Than Price

Producers and importers were asked to assess how often differences other than price between product from country pairs were a significant factor in sales of seamless SLP pipe (table II-7). Eight importers<sup>58</sup> and three U.S. producers answered this question. None of the producers reported that there were ever differences other than price for any of the country pairs. In contrast, most of the importers reported that there was at least sometimes differences other than price for all country pairs except for Argentina and Germany and Brazil and Germany.<sup>59</sup> Firms were asked to report any differences other than price; four importers responded. These firms reported that differences other than price included customer perception that the foreign product is inferior; U.S. product usually has more availability than imports, though this has changed as the demand increases; production delays; unreliable deliveries; limited production range of imported product relative to domestic; limited technical support; Japanese product differs from both U.S. and subject product because Japanese product must be used in some deep

<sup>58</sup> Two importers gave more than one response when they compared product from either the United States or subject countries to those of other countries reflecting differences between various nonsubject countries.

<sup>59</sup> For these pairs, two firms each reported there were "sometimes" and "never" differences other than price.

**Table II-7**

**Seamless SLP pipe: U.S. firms' perceived significance of differences other than price between U.S.-produced and imported product<sup>1</sup>**

Country comparison	U.S. producers				U.S. importers <sup>2</sup>			
	A	F	S	N	A	F	S	N
U.S. vs. Argentina	0	0	0	3	1	0	2	2
U.S. vs. Brazil	0	0	0	3	1	0	2	2
U.S. vs. Germany	0	0	0	3	0	0	3	2
Argentina vs. Brazil	0	0	0	2	1	0	2	2
Argentina vs. Germany	0	0	0	2	0	0	2	2
Brazil vs. Germany	0	0	0	2	0	0	2	2
U.S. vs. nonsubject	0	0	0	3	1	2	5	3
Argentina vs. nonsubject	0	0	0	2	1	1	3	2
Brazil vs. nonsubject	0	0	0	2	1	1	3	2
Germany vs. nonsubject	0	0	0	2	1	1	3	1

<sup>1</sup> Producers and importers were asked if differences other than price between seamless SLP pipe produced in the United States and in other countries were a significant factor in their sales of the products.

<sup>2</sup> Some importers gave more than one response when comparing U.S. and subject product with nonsubject product, with responses based on country of origin.

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

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

water applications; the significance of differences will depend on the requirements of the application; and differences in quality of products and services among the seamless producers.

**Comparisons of Country Sources**

Purchasers were also asked to compare domestically produced seamless SLP pipe and seamless SLP pipe produced in subject and nonsubject countries, for all country pairs for which they had actual experience. Respondents were asked to rate seamless SLP pipe produced in one country as superior, comparable, or inferior to that from another country with respect to 15 different attributes. The most common comparison was between U.S. product and nonsubject product, with eight purchasers providing comparisons;<sup>60</sup> six firms compared U.S. and German product, three purchasers each compared U.S. and Brazilian product, and U.S. and Argentine product. Comparisons between U.S.-produced seamless SLP pipe and that produced in subject and nonsubject countries are reported in table II-8, and country comparisons for which more than one purchaser responded are discussed below.

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<sup>60</sup> There are more responses than the number of purchasers that made comparisons with product from nonsubject countries because some of the purchasers compared U.S. product with product from a number of nonsubject countries; each of these comparisons was counted if responses differed between different nonsubject countries, otherwise the response is included only once.

**Table II-8**  
**Seamless SLP pipe: Comparisons of U.S. product and subject imported product with subject and nonsubject product, as reported by purchasers**

Factor	U.S. vs Argentina			U.S. vs Brazil			U.S. vs Germany			Argentina vs Brazil			Argentina vs Germany			Brazil vs Germany		
	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I
Availability	2	0	1	2	0	1	4	0	2	0	1	0	0	1	0	0	1	0
Delivery terms	2	0	1	2	0	1	3	1	2	0	1	0	0	1	0	0	1	0
Delivery time	2	0	1	2	0	1	5	0	1	0	1	0	0	1	0	0	1	0
Discounts offered	1	2	0	1	2	0	1	5	0	0	1	0	0	1	0	0	1	0
Extension of credit	0	3	0	0	3	0	0	6	0	0	1	0	0	1	0	0	1	0
Minimum quantity requirements	0	3	0	0	3	0	1	4	1	0	1	0	0	1	0	0	1	0
Packaging	0	3	0	0	3	0	0	5	1	0	1	0	0	1	0	0	1	0
Price <sup>1</sup>	0	1	2	0	1	2	1	2	3	0	1	0	0	1	0	0	1	0
Product consistency	0	3	0	0	3	0	1	5	0	0	1	0	0	1	0	0	1	0
Product range	1	2	0	1	2	0	2	3	1	0	1	0	0	1	0	0	1	0
Quality meets industry standards	0	3	0	0	3	0	0	6	0	0	1	0	0	1	0	0	1	0
Quality exceeds industry standards	0	3	0	0	3	0	0	6	0	0	1	0	0	1	0	0	1	0
Reliability of supply	1	1	1	1	1	1	3	1	2	0	1	0	0	1	0	0	1	0
Technical support/service	0	2	1	0	2	1	0	5	1	0	1	0	0	1	0	0	1	0
U.S. transportation costs	2	1	0	2	1	0	4	1	1	0	1	0	0	1	0	0	1	0

Table continued on the following page.



**Table II-8--Continued**

**Seamless SLP pipe: Comparisons of U.S. product and subject imported product with subject and nonsubject product, as reported by purchasers**

Factor	U.S. vs nonsubject <sup>2</sup>			Argentina vs nonsubject <sup>2</sup>			Brazil vs nonsubject <sup>2</sup>			Germany vs nonsubject <sup>2</sup>		
	S	C	I	S	C	I	S	C	I	S	C	I
Availability	9	3	0	1	3	0	1	3	0	2	4	2
Delivery terms	4	8	0	0	4	0	0	4	0	1	7	0
Delivery time	10	2	0	1	3	0	1	3	0	2	5	1
Discounts offered	1	11	0	0	4	0	0	4	0	0	8	0
Extension of credit	0	12	0	0	4	0	0	4	0	0	8	0
Minimum quantity requirements	0	11	1	0	4	0	0	4	0	0	8	0
Packaging	0	11	1	1	2	1	1	2	1	1	6	1
Price <sup>1</sup>	0	2	10	0	2	2	0	2	2	0	5	3
Product consistency	3	8	1	1	3	0	1	3	0	3	5	0
Product range	4	5	3	0	4	0	0	4	0	0	7	1
Quality meets industry standards	1	10	1	0	4	0	0	4	0	0	8	0
Quality exceeds industry standards	3	7	2	0	4	0	0	4	0	2	5	1
Reliability of supply	5	7	0	2	2	0	2	2	0	4	4	0
Technical support/service	5	7	0	1	3	0	1	3	0	2	6	0
U.S. transportation costs	10	2	0	0	4	0	0	4	0	2	6	0

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

<sup>2</sup> Some firms reported answers for multiple nonsubject countries. When these answers differed among the different nonsubject countries, all answers have been reported.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior. Not all companies gave responses for all factors.

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

Three purchasers compared U.S.-produced seamless SLP pipe with product from Argentina and Brazil. They gave the same answers when comparing U.S. with Argentina as they did comparing U.S. product with Brazilian product. The majority of these purchasers reported that product from the pairs were comparable for most factors except availability, delivery terms, delivery time, and U.S. transportation cost for which most firms reported that the U.S. product was superior; for price which two of the three responding firms reported that the U.S. product was inferior; and reliability of supply for which one firm reported "superior," one reported "comparable," and one reported "inferior."

Six purchasers compared U.S. and German products. The majority of these purchasers reported that they were comparable for most factors except availability, delivery time, and U.S. transportation costs for which most firms reported that the U.S. product was superior. For delivery terms, price, product range, and reliability of supply the responses were more diverse; three purchasers reported that U.S. producers were superior in delivery terms and reliability of supply but two found U.S. suppliers inferior; three reported U.S. and German product were comparable in product range but two reported the U.S.

product was superior; and three reported that U.S. product was inferior with regard to price while two reported U.S. and German product were comparable.

In comparing the U.S. product and product from nonsubject countries, the majority of responses rated the products as comparable for most factors except availability, delivery time, and U.S. transportation costs, for which most responses rated the U.S. product as superior; price for which most responses reported U.S. product was inferior; and for product range, four reported superior, five comparable, and three inferior.<sup>61</sup> There were four comparisons of nonsubject product with subject product from Argentina and Brazil provided identical responses for the two subject countries.<sup>62</sup> The majority of these responses were that the products were comparable with regard to most factors except packaging, price, and reliability of supply, for which views were mixed. There were eight comparisons of German and nonsubject product; the majority reported that they were comparable with regard to all factors except availability (mixed) and reliability of supply (four responses reported German product to be superior).

### **Awareness of Country Sources**

Purchasers were asked to identify the sources of seamless SLP pipe of which they were aware. Fourteen purchasers were aware of the U.S.-produced product and four reported that they were aware of subject sources, specifically, Argentina (2 firms), Brazil (2 firms), and Germany (4 firms). Other sources of imports reported by purchasers included Austria, Canada, China, Czech Republic, France, Italy, Japan, Korea, Mexico, Poland, Russia, Romania, Spain, and Ukraine. Of the 11 importers providing questionnaires, \*\*\* imported from subject countries (Brazil and Germany).

## **ELASTICITY ESTIMATES**

This section discusses elasticity estimates. Parties were requested to provide comments in their prehearing briefs. None of the parties commented on these estimates.

### **U.S. Supply Elasticity<sup>63</sup>**

The domestic supply elasticity for seamless SLP pipe measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of seamless SLP pipe. The elasticity of domestic supply depends on factors such as the level of excess capacity, the existence of inventories, and the availability of alternate markets for U.S.-produced seamless SLP pipe. Analysis of these factors in the original investigations indicated that the U.S. industry had a moderate ability to increase domestic shipments in response to price increases. The supply elasticity is estimated to be in the range of 2 to 4.

### **U.S. Demand Elasticity**

The U.S. demand elasticity for seamless SLP pipe measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of seamless SLP pipe. This sensitivity depends on the availability and viability of substitute products as well as on the component share of seamless SLP pipe in the production of downstream products. There are few products that can be successfully substituted for seamless SLP pipe and although seamless pipe can be substituted for welded pipe this is unlikely to

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<sup>61</sup> Eight firms compared U.S. and nonsubject product with four providing different answers for two groups of nonsubject countries.

<sup>62</sup> Two firms compared Brazilian and Argentine product with product from two groups of nonsubject countries.

<sup>63</sup> A supply function is not defined in the case of a non-competitive market.

happen at the prices currently charged by the domestic producers. Seamless SLP pipe is typically used to extract, transport, and process petroleum products. Thus, its cost share's significance is less than that in many products where the product is ultimately used in a consumer product. Demand is estimated to be in the -0.5 to -1.0 range.

### **Substitution Elasticity**

The elasticity of substitution depends on the extent of product differentiation between the domestic and imported products. Product differentiation depends on factors such as the range of products produced, quality, availability, and reliability of supply. The elasticity of substitution is estimated to be in the range of 4 to 8.



## PART III: CONDITION OF THE U.S. INDUSTRY

### U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization of seamless SLP pipe are presented in table III-1. Reported U.S. capacity increased by \*\*\* percent from 2001 to 2005, after recovering from a steep decline in 2003. Production decreased from 2001 to 2005, declining by \*\*\* percent, despite an increased production level in 2004. Both production capacity and production in January-September 2006 were higher than in January-September 2005. Annual capacity utilization rates ranged from \*\*\* percent in 2002 to \*\*\* percent in 2001, but reached \*\*\* percent in January-December 2006.<sup>1 2</sup>

**Table III-1**

**Seamless SLP pipe: U.S. producers' capacity, production, and capacity utilization, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

Sharon reported \*\*\* while Koppel reported \*\*\*.<sup>3</sup> U.S. Steel reported an increase in capacity from 2001 to 2005 of \*\*\* percent.<sup>4</sup> Timken reported an increase in capacity from 2001 to 2004 of \*\*\* percent, but then \*\*\*, which reduced its capacity by \*\*\* percent in 2005 from the previous year.

The majority of U.S.-produced seamless SLP pipe under consideration in these reviews is produced in diameters of 2 inches or larger. Only about \*\*\* of U.S. production of seamless SLP pipe is less than 2 inches in outside diameter. While the large majority of this smaller pipe is only certified for pressure pipe applications, the vast majority of larger pipe (and thus seamless SLP pipe in general) is triple stenciled to meet standard, line, and pressure pipe specifications and no other specifications. Table III-2 presents the reported specifications to which seamless SLP pipe was stenciled in sizes less than or equal to 2" in outside diameter and in sizes greater than 2" and less than or equal to 4.5" in outside diameter.

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<sup>1</sup> Capacity utilization rates for Koppel and Timken were consistently \*\*\* from 2001 to 2005, while capacity utilization rates for Sharon Tube and U.S. Steel were consistently \*\*\*. U.S. Steel stated that its production of seamless pipes \*\*\*. U.S. Steel's producer questionnaire response, sections II-6 and II-8.

<sup>2</sup> From 2001 to 2005, U.S. Steel has operated one shift at its Lorain Number 4 mill, although this mill was designed to operate three shifts. Operating one shift incurs substantial inefficiencies such as the need to restart operations each morning. The furnace at Lorain Number 4 mill is heated 24 hours a day, even though production of seamless SLP pipe occurs for only 8 hours each day. Hearing transcript, pp. 37-38 (Broglie). U.S. Steel noted that it could increase production at its Lorain Number 4 mill without adding any employees, but there is not sufficient demand to justify adding another shift at Lorain Number 4. Any increase in demand of seamless SLP pipe during these second reviews was largely met by growing presence of imports from nonsubject countries. U.S. Steel and Koppel's posthearing brief, exh. 1, pp. 9-10.

<sup>3</sup> Koppel's reported OCTG production was \*\*\* than its production of seamless SLP pipe. Koppel reported capacity utilization rates from \*\*\* percent to more than \*\*\* percent during 2001-05. Koppel's reported average production capacity is \*\*\*. Staff telephone interview with \*\*\*, December 19, 2006 and Koppel's producer questionnaire response, sections II-6, II-7, and II-8.

<sup>4</sup> U.S. Steel \*\*\*. U.S. Steel's producer questionnaire response, section II-8 and attachment 1. U.S. Steel further explained that its reported total capacity and production for both subject and nonsubject products \*\*\*. In addition, U.S. Steel's Fairfield mill operated \*\*\*, while \*\*\* at the Number 4 mill at Lorain during the period for which data were collected. As a result, the capacity utilization rates reported by U.S. Steel \*\*\*. Letter from \*\*\*, January 8, 2007, and hearing transcript, p. 151 (Broglie).

**Table III-2**  
**Seamless SLP pipe: U.S. producers' production, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

### **Anticipated Changes in Existing Operations**

The Commission asked domestic producers to report anticipated any changes in their operations. None of the responding producers anticipate changes in their existing operations relating to the production of seamless SLP pipe in the future.

### **Alternative Products**

Koppel and U.S. Steel reported that they produce other products using the same manufacturing equipment and/or production related employees employed to produce seamless SLP pipe. These products include oil country tubular goods, mechanical tubing, coupling stock, and seamless SLP pipe greater than 4.5 inches in outside diameter.<sup>5</sup> U.S. Steel further stated that it can switch production to other tubular products, depending on the \*\*\*.<sup>6</sup> Similarly, Koppel reported that it can switch from producing seamless SLP pipe to other products such as OCTG, mechanical tubing, or semifinished products with \*\*\*.<sup>7</sup> Timken also reported that it produces OCTG, mechanical tubing, and tubing for ball and roller bearings less than 4.5 inches in outside diameter using the same manufacturing equipment and/or production related employees employed to produce seamless SLP pipe.<sup>8</sup> Sharon Tube reported producing only seamless SLP pipe less than 4.5 inches in outside diameter during the period under review.<sup>9</sup> Production of OCTG products was markedly greater than production of seamless SLP pipe. Table III-3 presents data for the U.S. industry's overall capacity, production, and capacity utilization of its production facilities and workers, in their entirety, capable of producing subject seamless SLP pipe and other nonsubject products in 2005 and 2006.

**Table III-3**  
**Seamless SLP pipe and other seamless tubular products: U.S. capacity, production, and capacity utilization, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

### **U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS**

As shown in table III-4, the quantity of U.S. shipments of seamless SLP pipe fluctuated,<sup>10</sup> but decreased overall by \*\*\* percent from 2001 to 2005. However, the value of U.S. shipments rose by \*\*\* percent during this period, and the average unit value of U.S. shipments increased by \*\*\* percent. No U.S. producer reported internal consumption or shipments to related firms of seamless SLP pipe. One

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<sup>5</sup> U.S. Steel reported producing seamless SLP pipe, OCTG, mechanical tubing, and coupling stock \*\*\* in outside diameter. U.S. Steel's producer's questionnaire response, section II-5. Koppel reported producing OCTG products of \*\*\* in outside diameter. Koppel's producer questionnaire response, section II-5.

<sup>6</sup> U.S. Steel's producer questionnaire response, section II-7.

<sup>7</sup> Koppel's producer questionnaire response, section II-7.

<sup>8</sup> Timken's producer questionnaire response, section II-5. Timken reported that \*\*\*. Ibid.

<sup>9</sup> Sharon Tube's producer questionnaire response, section II-5.

<sup>10</sup> U.S. Steel reported "\*\*\*\*" in the seamless SLP pipe market in 2002 and 2003. U.S. Steel's producer questionnaire response, p. 9A, attachment 2.

U.S. producer, \*\*\*, reported export shipments and identified Canada as the only destination of its exports. The higher level of export shipments in January-September 2006 reflects \*\*\*.

**Table III-4**

**Seamless SLP pipe: U.S. producers' shipments, by type, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

### U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of seamless SLP pipe for the review period are presented in table III-5. \*\*\*. End-of-period inventories reported by U.S. Steel and Koppel consist of seamless SLP pipe that has been \*\*\*.<sup>11</sup>

**Table III-5**

**Seamless SLP pipe: U.S. producers' end-of-period inventories, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

### U.S. PRODUCERS' IMPORTS AND PURCHASES

No U.S. producer reported direct imports or purchases of imports of the subject product as defined by Commerce's scope during the review period from any of the subject countries. \*\*\* reported purchases of seamless SLP pipe from domestic producers.<sup>12</sup>

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

Data provided by U.S. producers on the number of production and related workers (PRWs) engaged in the production of seamless SLP pipe and the total hours worked by and wages paid to such PRWs during the period for which data were collected in these reviews are presented in table III-6. From 2001 to 2005, the number of PRWs decreased from \*\*\* to \*\*\*, or \*\*\* percent.<sup>13</sup> Hours worked by PRWs decreased by \*\*\* percent during this period, but hourly wages increased by \*\*\* percent. Productivity increased by \*\*\* percent during 2001-05, offsetting the higher wage rate and resulting in unit labor costs in 2005 that were relatively comparable to those in 2001.

**Table III-6**

**Seamless SLP pipe: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

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<sup>11</sup> E-mail from \*\*\*, March 8, 2007.

<sup>12</sup> \*\*\*'s producer questionnaire, section II-10. This company does purchase \*\*\*. No other U.S. purchasers reported purchasing \*\*\* during the period of these reviews. As discussed in part I, \*\*\*.

<sup>13</sup> The decline in PRWs from 2001 to 2005 largely reflects \*\*\*. \*\*\*'s producer questionnaire, section II-6, II-7, and II-8.

# FINANCIAL EXPERIENCE OF U.S. PRODUCERS OF SEAMLESS SLP PIPE

## Background

Four U.S. producers of seamless SLP pipe provided financial data--Koppel, Sharon, Timken, and U.S. Steel.<sup>14</sup> No production of seamless SLP pipe was either internally consumed or transferred to related companies. Responding U.S. producers are believed to account for virtually all of the domestic industry's net sales during the period for which data were collected.

## Operations on Seamless SLP Pipe

The results of the responding U.S. producers' seamless SLP pipe sales are presented in table III-7. Net sales quantity, value, and operating income all steadily declined between 2001 and 2003, before increasing \*\*\* in 2004 and (except for sales quantity) in 2005. Net sales value as well as operating income increased \*\*\* from 2003 to 2004 in conjunction with sales quantity for the same period, due mainly to a substantial increase in per-short-ton selling price (from \$\*\*\* to \$\*\*\* per short ton). An operating income of less than \$\*\*\* in 2003 changed to an operating income of more than \$\*\*\* in 2004 and per-unit profitability increased \*\*\* for the same period (from \$\*\*\* to \$\*\*\* per short ton). The ratio of the domestic industry's operating income to net sales in 2004 was \*\*\* percent, while its operating income ratio in 2003 was less than \*\*\* percent. Per-short-ton net sales values increased in 2004 (by \$\*\*\*) from 2003, while per-unit total costs (cost of goods sold ("COGS") plus selling, general, and administrative ("SG&A") expenses) also increased by \$\*\*\*, resulting in an operating income of \$\*\*\* per short ton in 2004, a net increase of \$\*\*\* per short ton compared to an operating income of \$\*\*\* in 2003.

**Table III-7**

**Seamless SLP pipe: Results of operations of U.S. producers, fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

Even though net sales quantity decreased somewhat from 2004 to 2005, all levels and measures of profitability increased substantially again (as operating income of \$\*\*\* per short ton in 2004 rose to \$\*\*\* per short ton in 2005), reflecting an increase in the per-short-ton selling price of \$\*\*\* for the same period. Between 2004 and 2005, operating income from sales of seamless SLP pipe increased from \$\*\*\* to \$\*\*\*, and the operating margin increased from \*\*\* percent to \*\*\* percent.

The pattern of the financial results between January-September 2005 (interim 2005) and January-September 2006 (interim 2006) reflected an increase in per-short-ton total costs that was marginally larger than the increase in per-short-ton selling price. This resulted in \*\*\* lower per-unit profitability and lower gross and operating margins. However, the operating income in interim 2006 (\$\*\*\*) was still higher than the operating income of interim 2005 (\$\*\*\*), due to a higher sales quantity in interim 2006, compared to the quantity in interim 2005.<sup>15</sup>

The results of operations by firm are presented in table III-8. U.S. producers' financial performance was mixed between 2001 and 2003.<sup>16</sup> However, all producers' profitability, i.e., operating

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<sup>14</sup> All producers' fiscal years end on December 31.

<sup>15</sup> \*\*\*.

<sup>16</sup> \*\*\*.



income and operating income ratio to net sales, improved continuously from 2003 to 2005<sup>17</sup> and generally was higher in January-September 2006 than in January-September 2005,<sup>18</sup> with the exception of \*\*\*, \*\*\*.

**Table III-8  
Seamless SLP pipe: Results of operations of U.S. producers (by firms), fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

Selected cost data of the producers on their operations for the subject products are presented in table III-9. Total unit cost increased continuously over the period. However, as explained previously, the increase of per-unit sales values generally exceeded the increase of per-unit total costs after 2003. Unit raw materials cost and SG&A expenses increased the most during the period.

**Table III-9  
Seamless SLP pipe: Operating costs of U.S. producers, fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

A variance analysis showing the effects of prices and volume on the producers' net trade sales of seamless SLP pipe, and of costs and volume on their total cost, is shown in table III-10. The analysis is summarized at the bottom of the table. Operating income increased by \$\*\*\* between 2001 and 2005. The increase in operating income during this period resulted mainly from higher unit sales prices (\$\*\*\*) which were partially offset by the negative effects of increased costs/expenses (\$\*\*\*) and decreased sales volume (\$\*\*\*).

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<sup>17</sup> Based on U.S. Steel's Forms 10-K submitted to the Securities and Exchange Commission (SEC) for 2006 (issued on February 27, 2007) and 2005 and Form 10-Q submitted to the SEC for the third quarter and the first nine months of 2006 ended September 30, 2006, U.S. Steel has three reportable segments: Flat-rolled Products (Flat-rolled), U.S. Steel Europe (USSE), and Tubular Products (Tubular). Based on U.S. Steel's Historical Segment Financial and Operational Data on December 31, 2005, the average price per net ton for the Tubular Products Segment increased from \$863 in 2004 to \$1,326 in 2005, income from operations increased from \$197 million in 2004 to \$528 million in 2005 and further increased to \$631 million in 2006, and finally, income from operations per ton increased from \$180 in 2004 to \$457 in 2005 while the calculated costs per ton also increased from \$683 to \$869 from 2004 to 2005. U.S. Steel states in its Form 10-K for 2005, "Tubular segment income of \$528 million in 2005 reflected an improvement of \$331 million compared to 2004. The increase resulted mainly from higher prices, partially offset by higher costs for steel rounds.... Tubular recorded segment income of \$197 million in 2004, compared to a segment loss of \$25 million in 2003. The improvement resulted primarily from higher average realized prices." Income from the operations of Tubular segment was \$487 million for the first nine months of 2006 compared to \$379 million for the first nine months of 2005. It further states that segment income for Tubular in the third quarter and first nine months of 2006 increased by 32 percent and 28 percent, respectively, from the comparable 2005 periods. U.S. Steel explains that the improvements in Tubular income from operations in the third quarter and first nine months of 2006 as compared to the same periods of 2005 mainly resulted from higher average realized prices and shipment volumes, partially offset by higher costs for steel rounds. Finally, according to the U.S. Steel's management analysis of the percentage change in net sales for its reportable segments, the net change in net sales for Tubular segment from 2005 to 2006 was 16 percent, which comprised of 3 percent increase in volume, a 12 percent increase in price, and an 1 percent increase in mix.

<sup>18</sup> \*\*\*.

**Table III-10**  
**Seamless SLP pipe: Variance analysis of operations of U.S. producers, fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Capital Expenditures and Research and Development Expenses**

The U.S. producers' capital expenditures and research and development (R&D) expenses are presented in table III-11. Capital expenditures increased \*\*\* between 2001 and 2003, decreased from 2003 to 2004, then increased in 2005. R&D expenses fluctuated between 2001 and 2003, then decreased continuously from 2003 to 2005. Both capital expenditures and R&D expenses were higher in January-September 2006 than in January-September 2005. Capital expenditures by individual firms are presented in table III-12.<sup>19</sup>

**Table III-11**  
**Seamless SLP pipe: Capital expenditures and R&D expenses by U.S. producers, fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Table III-12**  
**Seamless SLP pipe: Capital expenditures by U.S. producers (by firms), fiscal years 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Assets and Return on Investment**

U.S. producers were requested to provide data on their assets used in the production and sales of seamless SLP pipe during the period for which data were collected to assess their return on investments (ROI). Although ROI can be computed in different ways, a commonly used method is income earned during the period divided by the total assets utilized for the operations. Therefore, staff calculated ROI as operating income divided by total assets used in the production and sale of seamless SLP pipe. Data on the U.S. producers' total assets and their ROI are presented in table III-13.<sup>20</sup>

Total assets utilized by the U.S. producers in their operations decreased between 2001 and 2003, and then increased substantially between 2003 and 2005. Just as the U.S. producers' operating income increased considerably from 2003 to 2004, their ROI increased from \*\*\* percent in 2003 to \*\*\* percent in 2004, and further increased to \*\*\* percent in 2005. The trend of ROI over the period was generally the same as the trend of the operating income margin to net sales in table III-7 over the same period.

**Table III-13**  
**Seamless SLP pipe: Value of assets and return on investment of U.S. producers, fiscal years 2001-05**

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<sup>19</sup> \*\*\*.

<sup>20</sup> \*\*\*.

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

### U.S. IMPORTS

Data regarding U.S. imports of seamless SLP pipe from subject sources are based on responses to Commission questionnaires, while those for U.S. imports from nonsubject sources are based on official Commerce statistics.<sup>1</sup> The Commission sent importers' questionnaires to U.S. firms believed to have imported seamless SLP pipe during previous investigations and reviews and to firms identified by \*\*\* as importers of record for seamless SLP pipe between January 2001 and August 2006. Ten firms supplied usable data while 11 reported that they had not imported seamless SLP pipe since 2001.

#### Subject Imports

During 2001-05, \*\*\* U.S. imports were reported from Argentina while U.S. imports from Brazil fluctuated from \*\*\* imports in 2001 to a peak of \*\*\* short tons in 2003 before dropping to \*\*\* short tons in 2005. The quantity of U.S. imports from Brazil increased from \*\*\* short tons in January-September 2005 to \*\*\* short tons in January-September 2006, an increase of \*\*\* percent. U.S. imports from Germany increased from \*\*\* short tons in 2001 to \*\*\* short tons in 2005, an increase of \*\*\* percent but were \*\*\* lower in January-September 2006 than in January-September 2005. Seamless SLP pipe imports from subject and nonsubject countries appear in table IV-1.

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<sup>1</sup> U.S. import data for seamless SLP pipe from nonsubject sources are based on official Commerce statistics covered by the following HTS statistical reporting numbers: 7304.10.1020, 7304.10.5020, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.59.8010, and 7304.59.8015. This list of HTS statistical reporting numbers is a subset of those listed in the scope definition issued by Commerce. The complete list of HTS statistical reporting numbers issued by Commerce in its scope language contains product largely outside of the scope definition, or specifically excluded from the scope, such as mechanical tubing. *See Part I, The Subject Products.* U.S. producers U.S. Steel and Koppel contend that imports covered by the statistical reporting numbers in the above subset are predominately product within the scope of these reviews. *See* U.S. Steel and Koppel Steel's response to notice of institution, June 21, 2006, pp. 12-13.

**Table IV-1**  
**Seamless SLP pipe: U.S. imports, by sources, 2001-05, January-September 2005, and January-September 2006**

Source	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
<b>Quantity (short tons)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***
All other sources	96,667	79,606	91,400	129,850	118,484	91,020	126,725
Total	***	***	***	***	***	***	***
<b>Landed, duty-paid value (\$1,000)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***
All other sources	63,012	54,162	65,560	95,347	123,329	94,709	126,198
Total	***	***	***	***	***	***	***
<b>Unit value (per short ton)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Average	***	***	***	***	***	***	***
All other sources	\$652	\$680	\$717	\$734	\$1,041	\$1,041	\$996
Average	***	***	***	***	***	***	***

Table continued on next page.

Table IV-1--Continued

Seamless SLP pipe: U.S. imports, by sources, 2001-05, January-September 2005, and January-September 2006

Source	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
<b>Share of quantity (percent)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
<b>Share of value (percent)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
<b>Ratio to U.S. production (percent)</b>							
Argentina	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***
1 ***. 2 ***.  Note.--***.							
Source: Compiled from data submitted in response to Commission questionnaires (subject sources) and from official Commerce statistics (all other).							

## Nonsubject Imports

U.S. imports from nonsubject sources increased by 22.6 percent from 2001 to 2005. The highest volume of U.S. imports from nonsubject countries included the following countries, in order of volume in 2005: China, Ukraine, Austria, France, and Spain. These countries accounted for approximately three-quarters of U.S. imports from nonsubject countries in 2005. U.S. imports from China alone accounted for more than one-third of U.S. imports from nonsubject countries in 2005. Imports from China had the largest increase in quantity, increasing from 25,983 short tons in 2001 to 43,215 short tons in 2005, or by 17,232 short tons. Nonsubject imports from Ukraine grew substantially, from 1,932 short tons in 2001 to 16,714 short tons in 2005, an increase of 14,782 short tons. From 2001 to 2005, average unit values for nonsubject Chinese imports were consistently among the lowest of nonsubject countries. Table IV-2 details U.S. imports of seamless SLP pipe from nonsubject countries during these reviews.

**Table IV-2**  
**Seamless SLP pipe: U.S. imports from nonsubject sources, 2001-05, January-September 2005, and January-September 2006**

Country	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
<b>Quantity (short tons)</b>							
Australia	0	0	0	0	0	0	2
Austria	9,609	7,936	8,141	10,600	12,965	10,479	7,755
Belgium	3	2	0	0	0	0	0
Canada	12,110	15,079	30,352	2,178	3,853	3,453	1,736
Chile	0	0	0	0	0	0	459
China	25,983	13,313	13,633	31,610	43,215	30,033	64,401
Costa Rica	0	0	0	3	0	0	0
Czech Republic <sup>1</sup>	11	367	355	1	130	130	10
Denmark	14	0	5	3	1	1	0
Dominican Republic	0	0	0	0	9	0	0
Finland	0	0	0	0	0	0	0
France	12,290	9,090	3,910	16,659	10,313	8,661	13,742
Hong Kong	0	0	0	3	0	0	0
Hungary	0	0	0	0	0	0	0
India	136	585	158	3,713	2,175	1,937	1,959
Indonesia	0	72	0	0	0	0	0
Ireland	0	0	0	0	0	0	0
Israel	0	0	8	0	0	0	0
Italy <sup>2</sup>	485	4,128	2,687	3,379	4,458	3,726	1,138
Japan	909	408	865	79	227	221	219
Korea	3	25	691	546	1,868	1,188	1,174
Latvia	0	0	0	0	0	0	0

Table continued on next page.

**Table IV-2-Continued**

**Seamless SLP pipe: U.S. imports from nonsubject sources, 2001-05, January-September 2005, and January-September 2006**

Country	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
Mexico	100	56	241	0	2,470	1	441
Netherlands	0	18	6	0	0	0	0
Norway	8	5	55	3	37	37	0
Poland	0	13	0	0	0	0	0
Romania	16,573	9,182	11,562	18,718	2,274	1,611	226
Russia	0	0	203	1,397	3,878	1,952	3,894
Singapore	0	0	0	0	5	5	0
Slovak Republic	6,816	7,257	6,152	6,848	5,739	5,391	3,237
South Africa <sup>3</sup>	0	0	0	0	0	0	333
Spain	8,989	2,989	6,943	13,980	7,924	6,393	16,106
Sweden	5	11	150	59	73	64	8
Switzerland	1	0	0	0	0	0	0
Taiwan	40	128	176	42	45	45	97
Thailand	0	0	5	0	16	16	0
Turkey	0	22	16	1	0	0	0
Ukraine	1,932	8,634	4,817	19,717	16,714	15,583	9,703
United Arab Emirates	0	48	0	0	0	0	0
United Kingdom	653	235	267	114	98	94	87
Venezuela	0	0	0	194	0	0	0
Total	96,667	79,606	91,400	129,850	118,484	91,020	126,725
<b>Landed, duty-paid value (\$1,000)</b>							
Australia	0	9	0	0	0	0	21
Austria	6,166	5,237	5,146	7,101	14,641	11,580	9,366
Belgium	11	20	0	0	0	0	0
Canada	12,590	16,549	24,054	2,965	5,841	5,303	3,368
Chile	0	0	0	0	0	0	341
China	12,870	6,756	7,398	20,208	36,041	24,221	52,970
Costa Rica	0	0	0	9	0	0	0
Czech Republic <sup>1</sup>	71	359	2,008	3	115	115	13
Denmark	19	0	38	40	9	9	0
Dominican Republic	0	0	0	0	11	0	0
Finland	0	0	0	24	0	0	0
France	8,203	5,730	2,608	11,220	11,929	9,994	16,846

Table continued on next page.

**Table VI-2—Continued**

**Seamless SLP pipe: U.S. imports from nonsubject sources, 2001-05, January-September 2005, and January-September 2006**

Country	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
Hong Kong	0	0	0	19	0	0	0
Hungary	0	0	3	0	0	0	0
India	453	436	205	3,855	2,864	2,546	2,397
Indonesia	0	71	0	0	0	0	0
Ireland	0	0	0	0	0	0	5
Israel	0	0	6	0	0	0	0
Italy <sup>2</sup>	460	2,942	1,652	2,832	5,105	4,305	1,370
Japan	1,018	1,205	2,872	513	565	531	399
Korea	66	148	622	694	3,375	2,359	2,165
Latvia	0	0	9	0	0	0	0
Mexico	146	92	99	0	2,102	4	386
Netherlands	0	45	11	0	0	0	0
Norway	23	25	200	16	30	30	0
Poland	0	7	0	0	3	3	0
Romania	8,122	4,627	6,102	12,996	2,958	1,971	357
Russia	0	6	83	757	2,876	1,445	2,958
Singapore	0	0	0	0	5	5	0
Slovak Republic	3,949	3,589	2,897	4,078	6,197	5,669	3,650
South Africa <sup>3</sup>	0	0	0	0	0	0	332
Spain	6,826	2,389	5,421	12,812	12,397	9,634	20,143
Sweden	33	15	217	85	414	356	167
Switzerland	26	0	5	0	0	0	0
Taiwan	92	200	182	43	44	44	136
Thailand	0	0	3	0	25	25	0
Turkey	0	17	228	6	0	0	0
Ukraine	778	2,987	2,763	12,729	15,249	14,238	8,470
United Arab Emirates	0	18	0	0	0	0	0
United Kingdom	1,092	684	729	456	535	321	337
Venezuela	0	0	0	1,887	0	0	0
Total	63,012	54,162	65,560	95,347	123,329	94,709	126,198

Table continued on next page.



Table VI-2--Continued

Seamless SLP pipe: U.S. imports from nonsubject sources, 2001-05, January-September 2005, and January-September 2006

Country	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
Unit value (per short ton)							
Australia	( <sup>4</sup> )	\$29,154	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	\$9,634
Austria	\$642	660	\$632	\$670	\$1,129	\$1,105	1,208
Belgium	4,195	7,976	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Canada	1,040	1,097	793	1,361	1,516	1,536	1,940
Chile	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	743
China	495	507	543	639	834	806	823
Costa Rica	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	2,916	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Czech Republic <sup>1</sup>	6,595	980	5,663	3,290	889	889	1,387
Denmark	1,293	( <sup>4</sup> )	7,120	12,314	8,598	8,598	( <sup>4</sup> )
Dominican Republic	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	1,272	( <sup>4</sup> )	( <sup>4</sup> )
Finland	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	59,922	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
France	667	630	667	674	1,157	1,154	1,226
Hong Kong	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	7,282	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Hungary	( <sup>4</sup> )	( <sup>4</sup> )	13,297	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
India	3,331	745	1,295	1,038	1,317	1,314	1,223
Indonesia	( <sup>4</sup> )	982	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Ireland	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	10,657
Israel	( <sup>4</sup> )	( <sup>4</sup> )	717	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Italy <sup>2</sup>	949	713	615	838	1,145	1,155	1,204
Japan	1,121	2,956	3,320	6,498	2,487	2,408	1,824
Korea	19,899	5,975	900	1,270	1,807	1,985	1,843
Latvia	( <sup>4</sup> )	( <sup>4</sup> )	18,779	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Mexico	1,457	1,634	410	( <sup>4</sup> )	851	2,890	877
Netherlands	( <sup>4</sup> )	2,553	1,874	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Norway	2,772	4,711	3,644	4,953	812	812	( <sup>4</sup> )
Poland	( <sup>4</sup> )	565	( <sup>4</sup> )	( <sup>4</sup> )	12,539	12,539	( <sup>4</sup> )
Romania	490	504	528	694	1,301	1,224	1,582
Russia	( <sup>4</sup> )	22,565	411	542	742	740	760
Singapore	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	917	917	( <sup>4</sup> )
Slovak Republic	579	494	471	596	1,080	1,052	1,127
South Africa <sup>3</sup>	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	998
Spain	759	799	781	916	1,565	1,507	1,251

Table continued on next page.

**Table VI-2--Continued**  
**Seamless SLP pipe: U.S. imports from nonsubject sources, 2001-05, January-September 2005, and January-September 2006**

Country	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
Sweden	7,142	1,312	1,445	1,430	5,652	5,594	21,311
Switzerland	43,185	( <sup>4</sup> )	34,331	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Taiwan	2,317	1,559	1,033	1,031	973	973	1,405
Thailand	( <sup>4</sup> )	( <sup>4</sup> )	642	( <sup>4</sup> )	1,555	1,555	( <sup>4</sup> )
Turkey	( <sup>4</sup> )	793	14,612	8,971	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Ukraine	403	346	573	646	912	914	873
United Arab Emirates		383	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
United Kingdom	1,673	2,907	2,726	3,984	5,465	3,424	3,890
Venezuela	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	9,709	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Average	652	680	717	734	1,041	1,041	996

<sup>1</sup> In May 2006, the antidumping duty order on seamless SLP pipe from the Czech Republic was revoked by Commerce following a negative determination by the Commission in its first review.  
<sup>2</sup> In July 2001, the countervailing and antidumping duty orders on seamless SLP pipe from Italy were revoked by Commerce following a negative determination by the Commission in its first review.  
<sup>3</sup> In May 2006, the antidumping duty order on seamless SLP pipe from South Africa was revoked by Commerce following a negative determination by the Commission in its first review.  
<sup>4</sup> Not applicable.

Note.—U.S. imports of seamless SLP pipe from Romania and Japan remain subject to antidumping duty orders issued in August 2000.

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

Source: Compiled from official Commerce statistics.

## 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) fungibility, (2) presence of sales or offers to sell in the same geographic markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Issues concerning fungibility and channels of distribution are addressed in Part II of this report. Geographic markets and presence in the market are discussed below.

### Geographic Markets

Based on questionnaire responses, seamless SLP pipe production occurs throughout the United States, and seamless SLP pipe is shipped nationwide. Information summarizing national and regional markets and the shipment of seamless SLP pipe is presented in Part II. As illustrated in table IV-3,<sup>2</sup> the Houston-Galveston, TX, district accounted for the largest share of imports of seamless SLP (and related) pipe entered into the United States from Argentina, Brazil, and Germany during the period for which data were collected (60.4 percent).

<sup>2</sup> Official Commerce statistics measure imports at the district port of entry; material imported into one district, however, may be shipped to another geographic region.

Table IV-3

Seamless SLP pipe: U.S. imports from subject countries, by Customs district, January 2001-September 2006

Customs district	Argentina	Brazil	Germany	Total
<b>Quantity (<i>short tons</i>)</b>				
Houston-Galveston, TX	10,026	5,019	23,694	38,739
Cleveland, OH	-	-	11,330	11,330
Chicago, IL	-	6	8,178	8,185
Norfolk, VA	-	1	3,410	3,410
Tampa, FL	-	711	8	719
Savannah, GA	-	345	14	359
Detroit, MI	-	-	311	311
New Orleans, LA	1	-	309	310
Philadelphia, PA	-	-	280	280
Miami, FL	-	126	33	159
New York, NY	-	12	79	91
Charleston, SC	-	-	58	58
St. Louis, MO	-	-	39	39
All others	42	9	98	149
<b>Total</b>	<b>10,069</b>	<b>6,229</b>	<b>47,841</b>	<b>64,139</b>
Note.—As discussed at the beginning of part IV, official import statistics, even as adjusted, are over-inclusive. Source: Compiled from official statistics from Commerce.				

## Presence in the Market

Table IV-4 presents data on the monthly entries of U.S. imports of seamless SLP (and related) pipe, by source, during the period for which data were collected.

**Table IV-4**

**Seamless SLP pipe: U.S. imports, monthly entries into the United States, by source, 2001-05, January-September 2005, and January-September 2006**

Source	Calendar year					January-September	
	2001	2002	2003	2004	2005	2005	2006
<b>Quantity (short tons)</b>							
Argentina	12	11	9	11	12	9	4
Brazil	7	2	2	8	4	3	5
Germany	12	12	12	12	12	9	9
All others	12	12	12	12	12	9	9
Note.—As discussed at the beginning of part IV, official import statistics, even as adjusted, are over-inclusive. Source: Compiled from official statistics of Commerce.							

## U.S. IMPORTERS' INVENTORIES

End-of-period inventories reported by U.S. importers of seamless SLP pipe are shown in table IV-5.

**Table IV-5**

**Seamless SLP pipe: U.S. importers' end-of-period inventories of nonsubject<sup>1</sup> imports, 2001-05, January-September 2005, and January-September 2006**

Source	Calendar year					Jan.-Sept.	
	2001	2002	2003	2004	2005	2005	2006
Inventories ( <i>short tons</i> )	0	400	80	636	301	0	0
Ratio to imports ( <i>percent</i> )	0.0	0.7	0.1	0.9	0.4	0.0	0.0
Ratio to U.S. shipments of imports ( <i>percent</i> )	0.0	1.6	0.3	1.3	0.6	0.0	0.0
<sup>1</sup> U.S. importers did not report any inventories from subject countries for the period for which data were collected. The inventories reported were from nonsubject countries.							
Source: Compiled from data submitted in response to Commission questionnaires.							

# THE INDUSTRY IN ARGENTINA

## Overview

The Commission received data from Siderca, S.A.I.C. (“Siderca”), a wholly owned subsidiary of Tenaris<sup>3</sup> and the only known producer of seamless SLP pipe in Argentina. Siderca estimates that its production of seamless SLP pipe accounted for \*\*\* percent of seamless SLP pipe production in Argentina in 2005. Table IV-6 presents comparative information available from the original investigations, the first reviews, and these second reviews.

**Table IV-6**  
**Seamless SLP pipe: Comparison of select Argentine industry data, 1994, 2000, and 2005**

\* \* \* \* \*

Siderca has remained the sole producer of seamless SLP pipe since the original investigations. Since 2001, Siderca has been \*\*\*, in order to \*\*\*.<sup>4</sup> These investments reportedly have \*\*\*.<sup>5</sup>

## Seamless SLP Pipe Operations

Table IV-7 presents the Argentine seamless SLP pipe industry’s capacity, production, shipments, and inventories for 2001-05 as well as interim (January-September) 2005 and 2006. Table IV-8 presents projections for 2006 and 2007.

According to Siderca, the decline in demand for steel pipes in 2002 and the Argentine economic crises required Siderca to undergo reduction in capacity by reducing work shifts instead of producing excess inventory. \*\*\*<sup>6</sup> \*\*\*. In addition to these reductions in capacity due to economic considerations, Siderca also performs maintenance stoppages at its plants \*\*\*.<sup>7</sup>

Siderca reported \*\*\*.<sup>8</sup> Therefore, the company does \*\*\* as a result of the revocation of these orders.<sup>9</sup> Siderca reported focusing on supplying \*\*\* and also on \*\*\*.<sup>10</sup> Siderca noted that it does not maintain inventories of seamless SLP pipe. For export shipments, Siderca stated that it “produces products which it already has a purchase order” and any inventory is stored in the “finished good yards while awaiting shipment to a customer.”<sup>11</sup> For its home market, Siderca also produces pipes either for a purchase order or for its regional customer service centers. Any inventory reported is not “available inventory,” but rather is intended for “a specific use, for a specific customer, kept in a specific region so

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<sup>3</sup> Tenaris has affiliations with seamless pipe producers Dalmine (Italy), Siderca (Argentina), Algoma Tubes (Canada), Tavsá (Venezuela), Tamsa (Mexico), Silcotub (Romania), and NKK Tubes (Japan).

<sup>4</sup> Siderca’s foreign producer questionnaire, section II-1.

<sup>5</sup> Ibid.

<sup>6</sup> Siderca only produces seamless SLP pipe on LACO #1. During 2001 to 2005, Siderca did not produce any subject pipe in its LACO #2 plant. Hearing transcript, p. 182 (Balkenende).

<sup>7</sup> Siderca’s foreign producer questionnaire, section II-1.

<sup>8</sup> Siderca is focusing its production mix to \*\*\*. Siderca’s foreign producer questionnaire, section I-6; hearing transcript, p. 183 (Balkenende); and Siderca’s posthearing brief, question 6, pp. 1-2.

<sup>9</sup> Siderca’s foreign producer questionnaire, section II-3.

<sup>10</sup> Siderca has \*\*\*. Siderca’s foreign producer questionnaire, sections II-1 and II-10.

<sup>11</sup> Hearing transcript, p. 182 (Balkenende).

that it can be supplied to the customer on a just-in-time basis.”<sup>12</sup> As shown in table IV-7, Siderca’s home-market shipments are about \*\*\* of its total shipments. Siderca’s exports of seamless SLP pipe are not currently subject to any tariff or non-tariff barriers in any country, nor subject to current investigations outside the United States.<sup>13</sup>

**Table IV-7**  
**Seamless SLP pipe: Siderca’s reported production capacity, production, shipments, and inventories, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Table IV-8**  
**Seamless SLP pipe: Siderca’s projected production capacity, production, shipments, and inventories, 2006 and 2007**

\* \* \* \* \*

As shown in table IV-9, the most common seamless SLP pipe produced by Siderca is in sizes of greater than 2" but less than 4.5" in outside diameter and is triple stenciled to meet standard, line, and pressure pipe specifications and no other specifications. Table IV-9 presents the reported specifications to which subject pipe was stenciled in sizes less than or equal to 2" in outside diameter and in sizes greater than 2" and less than or equal to 4.5" in outside diameter.

**Table IV-9**  
**Seamless SLP pipe: Siderca’s production, 2005, January-September 2005, and January- September 2006**

\* \* \* \* \*

### Alternative Products

As shown in table IV-10, Siderca produces nonsubject seamless pipe and plans, particularly production of high value-added seamless pipe such as OCTG.<sup>14</sup>

**Table IV-10**  
**Seamless pipe: Siderca’s capacity, production, and capacity utilization for subject and nonsubject seamless SLP and other pipe, 2005, January-September 2005 and January-September 2006**

\* \* \* \* \*

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<sup>12</sup> Hearing transcript, pp. 182-183 (Balkenende).

<sup>13</sup> Siderca’s foreign producer questionnaire, section II-12.

<sup>14</sup> Siderca’s foreign producer questionnaire, section II-9.

## THE INDUSTRY IN BRAZIL

### Overview

In the current second reviews, the Commission received a usable questionnaire response from V&M Brazil,<sup>15</sup> the only producer of the subject product in Brazil. V&M Brazil accounts for all of the Brazilian production of seamless SLP pipe during the period covered by these second reviews.<sup>16</sup> V&M Brazil is a wholly owned subsidiary of Vallourec & Mannesman Tubes (“V&M Tubes”)<sup>17</sup> and provided the only questionnaire response for Brazil in the original investigations, the first reviews, and the current second reviews. Table IV-11 presents comparative information available from the original investigations, the first reviews, and these second reviews.

**Table IV-11**  
**Seamless SLP pipe: Comparison of select Brazilian industry data: 1994, 2000, and 2005**

\* \* \* \* \*

### Seamless SLP Pipe Operations

V&M Brazil reported increasing its overall production capacity by \*\*\* percent in October 2005 with the intent to produce seamless SLP pipes under 4.5 inches in outside diameter after \*\*\*.<sup>18</sup> In addition, V&M Brazil reported production technology changes since 2001 in its charcoal-based steel making process. The iron ore and charcoal are converted into pig iron and high-purity steel. The solid bars are then hot-rolled and made into seamless pipes with an eco-friendly process utilizing large-scale production and reducing greenhouse effects through the absorption of atmospheric CO<sub>2</sub> into the planted eucalyptus forest.<sup>19</sup> V&M Brazil noted that the bulk of its sales are to its home market and the rest of Latin America, where demand for small diameter SLP pipe is \*\*\*.<sup>20</sup>

Table IV-12 presents V&M Brazil’s capacity, production, shipments, and inventories of seamless SLP pipe for 2001-05 as well as interim (January-September) 2005 and 2006. Table IV-13 presents projections for 2006 and 2007.

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<sup>15</sup> During the original investigations, this firm was called Mannesmann S.A.

<sup>16</sup> Companhia Siderurgical Nacional was initially identified as a possible producer of seamless SLP pipe in Brazil, but it is not a producer of the subject product. V&M Brazil is the only producer of seamless SLP pipe in Brazil. E-mail from \*\*\* for V&M Brazil, February 7, 2007.

<sup>17</sup> V&M Tubes (wholly owned by Groupe Vallourec) is affiliated with seamless pipe producers V&M Brazil (Brazil), V&M Deutschland GmbH (Germany), V&M France (France), and V&M Star (United States). V&M Star in the United States produces nonsubject large diameter seamless pipes. V&M Brazil exports to the United States through its sister company, V&M Corporation, Houston, TX. V&M Brazil foreign producer questionnaire response, section I-3.

<sup>18</sup> V&M Brazil’s foreign producer questionnaire response, section II-1 (revised December 29, 2006). V&M Brazil also noted that it \*\*\*. V&M Brazil foreign producer questionnaire response, section II-16a (revised December 29, 2006).

<sup>19</sup> V&M Brazil’s foreign producer questionnaire response, section II-5.

<sup>20</sup> V&M Brazil’s noted that the significance of the antidumping duty order is \*\*\* and that its \*\*\* its ability to shift sales to the U.S. market if the antidumping duty orders are revoked. V&M Brazil’s foreign producer questionnaire response, sections II-13, II-14, and II-15.

**Table IV-12**

**Seamless SLP pipe: V&M Brazil's reported production capacity, production, shipments, and inventories, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Table IV-13**

**Seamless SLP pipe: V&M Brazil's projected production capacity, production, shipments, and inventories, 2006 and 2007**

\* \* \* \* \*

From 2000 to 2005, capacity declined, from \*\*\* short tons in 2001 to \*\*\* short tons in 2005, a decline of \*\*\* percent. Capacity utilization fluctuated during 2001 to 2005, peaking in 2004 at \*\*\* percent. Home market sales constitute \*\*\* the largest share of shipments and were at their highest level relative to total shipments in \*\*\*. Exports to markets other than the United States, the European Union, and Asia represented the largest share of shipments after home market shipments.<sup>21</sup>

As demonstrated in table IV-14, the majority of V&M Brazil's production of seamless SLP pipe is in sizes greater than 2" and less than or equal to 4.5" in outside diameter and the most common types were line pipe and triple stenciled (meeting standard, line, and pressure pipe specifications). Table IV-14 presents the reported specifications to which subject pipe was stenciled in sizes less than or equal to 2" in outside diameter and in sizes greater than 2" and less than or equal to 4.5" in outside diameter.

**Table IV-14**

**Seamless SLP pipe: V&M Brazil's production, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

### **Alternative Products**

As shown in table IV-15, V&M Brazil produces nonsubject seamless SLP pipes including OCTG, boiler tubing, mechanical tubing, tubing suitable for ball or roller bearings, and tubing for bearings less than 4.5 inches and pipe and tube up to 7 inches in outside diameter on the same equipment and machinery as the subject product.<sup>22</sup>

**Table IV-15**

**Seamless pipe: V&M Brazil's capacity, production, and capacity utilization for subject and nonsubject seamless SLP and other pipe, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

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<sup>21</sup> V&M Brazil reported Latin America as its primary export market. V&M Brazil's foreign producer questionnaire response, section II-13.

<sup>22</sup> V&M Brazil noted that it intends to \*\*\*. V&M Brazil foreign producer questionnaire response, section II-6.



## THE INDUSTRY IN GERMANY

### Overview

The Commission identified three German producers of seamless SLP pipe in the current second reviews: Benteler Stahl/Rohr GmbH (“Benteler”), Rohrwerk Neue Maxhutte GmbH (“Rohrwerk”), and V&M Deutschland GmbH (“VMD”). All three known producers of the subject product submitted usable questionnaire responses. Responding German producers, shown in table IV-16, reportedly account for all known seamless SLP pipe production in Germany.

**Table IV-16**  
**Seamless SLP pipe: German producers’ shares of reported 2005 production**

Firm	Share of 2005 production ( <i>percent</i> )
Benteler	***
Rohrwerk	***
VMD	***
Source: Compiled from data submitted in response to Commission questionnaires.	

Sales of seamless SLP pipe in 2005 accounted for \*\*\* percent of total firm sales from \*\*\*, \*\*\* percent from \*\*\*, and \*\*\* percent from \*\*\*. Table IV-17 presents comparative information available from the original investigations, the first reviews, and these second reviews.

**Table IV-17**  
**Seamless SLP pipe: Comparison of select German industry data, 1994, 2000, and 2005**

\* \* \* \* \*

### Seamless SLP Pipe Operations

VMD reported several operational changes since 2001.<sup>23</sup> It reported \*\*\* production capacity in 2002 from \*\*\* to \*\*\* for seamless SLP pipe at its Zeithain plant in Saxony, Germany.<sup>24</sup> VMD also reported plans to \*\*\* production capacity in its Muelheim plant for seamless pipe products by increasing \*\*\*. Rohrwerk plans to invest \*\*\* in 2006-07 to \*\*\*.<sup>25</sup> Benteler did not report any changes in production or operations since 2001. During these second reviews, all of the subject exports to the United States \*\*\*. Benteler anticipates exporting \*\*\* short tons of the subject product to the United States in 2007 if the antidumping duty order on seamless SLP pipe is revoked.<sup>26</sup>

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<sup>23</sup> VMD’s foreign producer questionnaires, sections II-1 and II-4.

<sup>24</sup> In December 2006, VMD’s parent company, Vallourec, France, and Salzgitter, Germany, announced the merge of their activities in the “production of seamless precision tubes under the roof of Salzgitter,” with a planned start date of April 2007 for the new company. Gradually, VMD mills will “\*\*\*.” From 2008 on, the production of seamless hot-rolled tubes and pipes will be “\*\*\* and the production of \*\*\*.” In total, there will be \*\*\* for VMD. E-mail from \*\*\*, March 1, 2007.

<sup>25</sup> Rohrwerk’s foreign producer questionnaire, section II-2.

<sup>26</sup> Benteler’s foreign producer questionnaire, section II-16b. Benteler states that it plans to sell “niche products in sizes that are not produced in the United States.” Hearing transcript, p. 191 (Herminghaus).

Table IV-18 presents the German industry's capacity, production, shipments, and inventories of seamless SLP pipe for 2001-05 as well as interim (January-September) 2005 and 2006. Table IV-19 presents projects for 2006 and 2007.

**Table IV-18**  
**Seamless SLP pipe: Germany's reported production capacity, production, shipments, and inventories, 2001-05, January-September 2005, and January-September 2006**

\* \* \* \* \*

**Table IV-19**  
**Seamless SLP pipe: Germany's projected production capacity, production, shipments, and inventories, 2006 and 2007**

\* \* \* \* \*

As shown in table IV-20, a \*\*\* majority of German-produced seamless SLP pipe is in sizes less than or equal to 2" in outside diameter, and is triple stenciled to meet standard, line, and pressure pipe specifications and no other specifications. Table IV-20 presents the reported specifications to which subject pipe was stenciled in sizes less than or equal to 2" in outside diameter and in sizes greater than 2" and less than or equal to 4.5" in outside diameter.

**Table IV-20**  
**Seamless SLP pipe: Germany's production, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

### Alternative Products

All three German producers of seamless SLP pipe reported producing other seamless pipes including: OCTG, stainless SLP pipe, boiler tubing, tubing suitable for ball or roller bearings, mechanical tubing, structurals, and hollows on the same equipment used to produce certain seamless pipe during the period of review. VMD noted that it could "\*\*\*\*."<sup>27</sup> Overall capacity, production, and capacity utilization to produce both large and small diameter seamless products on the same manufacturing equipment are shown in table IV-21.

**Table IV-21**  
**Seamless pipe: Germany's capacity, production, and capacity utilization for subject and nonsubject seamless SLP and other pipe, 2005, January-September 2005, and January-September 2006**

\* \* \* \* \*

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<sup>27</sup> VMD's foreign producer questionnaire, section II-10.

## GLOBAL MARKET

### Supply

Although figures for global production of seamless SLP pipe are generally not published, the International Iron and Steel Institute (IISI) publishes data on the global production of seamless pipe and tube.<sup>28</sup> As illustrated in tables IV-22 and IV-23, global production of seamless pipe and tube has increased in recent years, despite declines in 1998 and 1999. Between 1995 and 2005, global production of seamless pipe and tube increased by 32 percent to a little more than 24 million short tons. One reputable source, *Preston Pipe and Tube Report*, notes that global seamless pipe and tube production increased to 28.8 million short tons in 2005, or about 4.8 million short tons more than production figures reported by IISI.<sup>29</sup> China's production growth of seamless pipe and tube has outpaced all other regions, with China's share of world seamless pipe and tube production increasing from 20 percent in 1995 to almost 48 percent in 2005. In late 2006, China reportedly increased exports of seamless line pipe, focusing increasingly on Asian markets more so than on the U.S. market that has traditionally been the main destination of Chinese line pipe exports.<sup>30</sup> However, the U.S. market continues to be an important export market for Chinese line pipe, with China increasing its U.S. market share.<sup>31</sup> Additionally, Metal Bulletin Research ("MBR") notes that Chinese exports to the U.S. market of API-certified OCTG, if not approved for purchase by oil and gas producers, will challenge North American standard pipe markets as a substitute for seamless standard pipe.<sup>32</sup>

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<sup>28</sup> International Iron and Steel Institute, *Steel Statistical Yearbook 2005* and *Steel Statistical Yearbook 2006*. Global and regional production data as published by IISI refer to seamless tube, and therefore are substantially broader than the subject merchandise, including, for example, OCTG. As such, global and regional production data represent general trends and are for illustrative purposes only. The most current production data published by IISI are through 2005.

<sup>29</sup> Preston Publishing Company, *Preston Pipe and Tube Report*, Vol. 24, no. 6 (June 2006), p. 1. Global production data referred to in the *Preston Pipe and Tube Report* include all seamless tube, and therefore are substantially broader than the subject merchandise. Differences in 2005 seamless tube production as reported by *Preston Pipe and Tube Report* and IISI likely reflect differences in reporting.

<sup>30</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 15 (December 2006), p. 7.

<sup>31</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 16 (January 2007), p. 7.

<sup>32</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 16 (January 2007), p. 3.

**Table IV-22**  
**Seamless pipe and tube: Global and regional production, 1995-2000**

Region	1995	1996	1997	1998	1999	2000
	Quantity (thousands of short tons)					
North America	2,655	2,946	3,166	2,658	1,896	2,738
European Union (15) <sup>1</sup>	3,804	3,642	4,004	4,039	3,018	3,780
Asia, excluding China	2,405	2,287	2,271	2,308	1,849	2,034
China	3,605	3,682	3,974	3,822	3,897	4,586
CIS	3,127	2,950	2,832	2,556	2,592	2,586
South America <sup>2,3</sup>	1,145	1,263	1,308	1,034	872	1,299
Other	1,443	1,488	1,388	1,371	988	1,188
Total	18,185	18,259	18,942	17,788	15,112	18,210

<sup>1</sup> Between 1995 and 2000, seamless tube production in Germany decreased by 12.4 percent from 1,598 thousand short tons in 1995 to 1,400 thousand short tons in 2000.

<sup>2</sup> Between 1995 and 2000, seamless tube production in Argentina increased by 2.6 percent from 811 thousand short tons in 1995 to 832 thousand short tons in 2000.

<sup>3</sup> Between 1995 and 2000, seamless tube production in Brazil increased by 56.1 percent from 299 thousand short tons in 1995 to 466 thousand short tons in 2000.

Note.--Data as reported by the IISI include seamless pipe and tube beyond the scope of the review. Original data published in metric tons, which were converted to short tons by multiplying by 1.102311. Because of rounding, figures may not add to the totals shown.

Source: International Iron and Steel Institute, *Steel Statistical Yearbook, 2005* and *Steel Statistical Yearbook, 2006*.

**Table IV-23**  
**Seamless pipe and tube: Global and regional production, 2001-05**

Region	2001	2002	2003	2004	2005
	Quantity (thousands of short tons)				
North America	2,747	2,237	2,359	2,826	3,006
European Union (15) <sup>1</sup>	4,106	3,590	3,471	4,091	4,317
Asia, excluding China	2,154	1,910	1,887	2,124	2,258
China	5,653	6,705	8,082	9,349	11,542
CIS	2,625	2,592	2,835	n/a	n/a
South America <sup>2,3</sup>	1,392	1,240	1,348	1,540	1,547
Other	700	1,036	945	1,319	1,365
Total	19,376	19,310	20,927	21,249	24,034

<sup>1</sup> Between 2001 and 2005, seamless tube production in Germany increased by 12.5 percent from 1,587 thousand short tons in 2001 to 1,786 thousand short tons in 2005.

<sup>2</sup> Between 2001 and 2005, seamless tube production in Argentina increased by 13.6 percent from 837 thousand short tons in 2001 to 950 thousand short tons in 2005.

<sup>3</sup> Between 2001 and 2005, seamless tube production in Brazil increased by 6.7 percent from 509 thousand short tons in 2001 to 543 thousand short tons in 2005.

Note.--Data as reported by the International Iron and Steel Institute (IISI) include seamless pipe and tube beyond the scope of the review. Original data published in metric tons, which were converted to short tons by multiplying by 1.102311. Because of rounding, figures may not add to the totals shown.

Source: International Iron and Steel Institute, *Steel Statistical Yearbook, 2005* and *Steel Statistical Yearbook, 2006*.

## Demand

Worldwide demand for seamless standard, line, and pressure pipe is derived from its use for the conveyance of liquids and gases in a diverse array of end-use markets, including as line pipe or gathering lines in oil and natural gas production and transmission; its use in chemical, petrochemical, or other non-pipeline applications; its use in high pressure construction applications, such as in refineries or chemical plants; as well as its use as steam lines in manufacturing or factory applications.

Demand for seamless line pipe is largely influenced by energy prices and increased drilling activity in new areas that require additional gathering lines.<sup>33</sup> According to published sources, demand for line pipe in the United States has increased owing to increased drilling activity, which usually precedes the construction of pipeline systems.<sup>34</sup> Between April and October 2006, MBR notes that demand for seamless line pipe grew as strongly as demand for OCTG, driving the price of line pipe to levels comparable to OCTG prices.<sup>35</sup>

In the United States, there have been fewer projects requiring oil or gas transmission pipe, although aging pipeline infrastructure may increase demand for line pipe.<sup>36</sup> The Interstate Natural Gas Association of America estimates that \$19 billion will be needed to maintain existing pipeline capacity, and another \$42 billion will be needed for new pipeline and storage infrastructure in the United States and Canada as domestic natural gas consumption is expected to increase from 22 trillion cubic feet in 2003 to 30 trillion cubic feet in 2015.<sup>37</sup> MBR notes that the replacement or refurbishment of existing infrastructure, as well as increased investment in gathering lines and distribution systems in the United States, has spawned greater demand for seamless line pipe.<sup>38</sup> MBR further notes that seamless line pipe may witness increased competition from such substitutable products as electric resistance-welded line pipe.<sup>39</sup> Looking forward, *Preston Pipe and Tube Report* has forecasted strong U.S. demand for line pipe in 2007, with new line pipe orders placed in 2006 for projects to begin in 2007.<sup>40</sup>

Global seamless pipe and tube producer Tenaris estimates that seamless tubular products other than OCTG contributed to an overall 9 percent increase in worldwide apparent consumption of seamless tubular products in 2005.<sup>41</sup> Higher energy demand growth, declining production rates from developed reserves, and high energy prices in 2005 prompted increased crude oil exploration and production

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<sup>33</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 1 (October 2005), p. 2.

<sup>34</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 13 (October 2006), p. 2.

<sup>35</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 13 (October 2006), p. 3.

<sup>36</sup> "Pipe and Tube Outlook," Metal Center News Online (September 2006), found at <http://www.metalcenternews.com>, retrieved January 4, 2006 and Tom Stundza, "Insiders Expect Drill Tube, Line Pipe Mart to Re-energize," *Purchasing Magazine*, March 4, 2004, found at <http://www.purchasing.com/index.asp?layout=articlePrint&articleID=CA388189>, retrieved January 27, 2006; see also "Special Report: Worldwide Pipeline Construction," *Oil and Gas Journal* (February 13, 2006), pp. 57, 58, and 62.

<sup>37</sup> Energy and Environmental Analysis, Inc., "An Updated Assessment of Pipeline and Storage Infrastructure for the North American Gas Market: Adverse Consequences of Delays in the Construction of Natural Gas Infrastructure," prepared for the Interstate Natural Gas Association of America (July 2004), pp. 7-8; and Tom Stundza, "Insiders Expect Drill Tube, Line Pipe Mart to Re-energize," *Purchasing Magazine*, March 4, 2004, found at <http://www.purchasing.com/index.asp?layout=articlePrint&articleID=CA388189>, retrieved January 27, 2006.

<sup>38</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issues 13-14 (October-November 2006).

<sup>39</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 5 (February 2006), p. 1.

<sup>40</sup> Preston Publishing Company, *Preston Pipe and Tube Report*, Vol. 24, no. 10 (October 2006), p. 1.

<sup>41</sup> Tenaris, Annual Report 2005, p. 13.

activity, which continued in 2006.<sup>42</sup> Increased development of gas reserves associated with liquefied natural gas (LNG) projects and the construction of process trains for LNG production reportedly surged in 2005, particularly in the Middle East.<sup>43</sup> Looking forward, Tenaris expects increased demand for seamless tubular products from refinery projects currently under development.<sup>44</sup> Other observers, however, focus on growth in pipeline construction in the United States and the Middle East.<sup>45</sup>

Because seamless pipe is used in gathering lines and in oil and gas transportation, demand for seamless SLP pipe is influenced by drilling activity, although not as directly and predictably as demand for OCTG. As shown in tables IV-24 and IV-25, worldwide drilling increased between 1995 and 1997, then decreased sharply in 1998 and 1999. Drilling rates increased in 2000 and 2001, before declining again in 2002. Drilling activity has increased markedly since 2002.

**Table IV-24**

**Worldwide rig count: Global and regional annual averages of operating rigs, 1995-2000**

Region	1995	1996	1997	1998	1999	2000
	Quantity (number of rigs)					
Latin America	272	282	277	243	187	227
Europe	112	120	113	99	81	83
Africa	66	79	80	74	42	46
Middle East	128	136	159	166	140	156
Far East	181	176	180	173	139	140
Canada	230	271	375	260	246	344
United States	724	777	944	829	622	916
Total	1,713	1,841	2,128	1,843	1,457	1,913

Source: Baker Hughes Inc., *Worldwide Rig Count*, 2/7/2006.

**Table IV-25**

**Worldwide rig count: Global and regional annual averages of operating rigs, 2001-06**

Region	2001	2002	2003	2004	2005	2006
	Quantity (number of rigs)					
Latin America	262	214	244	290	316	324
Europe	95	88	83	70	70	77
Africa	53	58	54	48	50	58
Middle East	179	201	211	230	248	238
Far East	157	171	177	197	225	228
Canada	342	266	372	369	458	470
United States	1,155	831	1,032	1,190	1,380	1,648
Total	2,242	1,829	2,174	2,395	2,746	3,043

Source: Baker Hughes Inc., *Worldwide Rig Count*, 2/7/2006.

<sup>42</sup> Tenaris, Annual Report 2005, p. 13; Tenaris press release, "Tenaris Announces 2006 Fourth Quarter and Annual Results" (February 28, 2007), found at <http://www.tenaris.com>, retrieved March 1, 2007.

<sup>43</sup> Tenaris, Annual Report 2005, p. 19.

<sup>44</sup> Tenaris, Annual Report 2005, p. 19.

<sup>45</sup> "Special Report: Worldwide Pipeline Construction," *Oil and Gas Journal* (February 13, 2006), pp. 57, 58, and 62.

In other geographic markets, demand for seamless standard, line, and pressure pipe is generally favorable. In Europe, demand for seamless standard pipe is reportedly improving following a decline in demand in the second half of 2005.<sup>46</sup> In the Middle East, Africa, and the United States, the petrochemicals and chemicals sectors are reportedly increasing consumption of line pipe for use in new refinery projects.<sup>47</sup> Globally, demand for seamless pipe was reportedly strong from refining and power generation sectors.<sup>48</sup>

## Prices

The Commission requested U.S. producers and importers to compare market prices of seamless SLP pipe in U.S. and non-U.S. markets. Two responding U.S. producers indicated that U.S. prices were higher than prices in other markets. Only one importer responded, reporting that prices were comparable worldwide. Foreign producers were also asked to compare prices in their home market with prices in the United States and other country markets. Four foreign producers responded, although not all of these knew about prices in the U.S. market. One reported that its average net sales prices for 3.5 inch OD triple stenciled seamless pipe were \$\*\*\* per short ton in its home market, \$\*\*\* in the United States, \$\*\*\* in Singapore, and \$\*\*\* in Italy; one reported that the prices of products were comparable worldwide; and one reported that seamless carbon line pipe prices were \$\*\*\* per metric ton in the United States, \$\*\*\* per metric ton in Asia, and €\*\*\* (approximately \$\*\*\*) per metric ton (\*\*\*) in Europe.

Published price data for a broader range of seamless line pipe by geographic market are available from MBR.<sup>49</sup> These data are distinct from the pricing data presented in Part V of this report, which are collected directly from U.S. producers and U.S. importers according to precise product definitions. Global seamless pipe and tube prices for October 2005 through February 2007 as published by MBR indicate that API 5L B line pipe in both small and large diameters was priced highest in Japan and Western Europe, although Western European prices converged with those in the United States beginning in late 2006 and early 2007 (table IV-26). Prices were lowest in China. MBR notes that although Chinese-produced API 5L B has been entering the U.S. market at lower prices than those of U.S.-produced product, if the pipe is not from an approved Chinese mill, additional testing is carried out in the United States, thereby increasing the cost of the pipe to the end user.<sup>50</sup> Most markets show an overall increase in prices for seamless pipe, although prices in the United States and Western Europe declined

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<sup>46</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 7 (April 2006), p. 4.

<sup>47</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 7 (April 2006), p. 1.

<sup>48</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 10 (July 2006), p. 1.

<sup>49</sup> MBR prices are used in lieu of those published by Preston Publishing Company used in the prehearing staff report in order to illustrate general price comparisons across geographic markets for seamless line pipe in a range of outside diameters substantially broader than those of the subject product. U.S. prices for seamless tubular products reported by *Preston Pipe and Tube Report* are average transaction prices (by weighted average value), and represent a combination of both domestic and import shipments. See \*\*\*, and staff telephone interview with \*\*\*. Because prices reported by *Preston Pipe and Tube Report* are influenced by the import market share computed in the weighted average price for each of these products, these prices do not give a clear price comparison across domestically produced seamless tubular products. Additionally, the inclusion of relatively more expensive smaller diameter (i.e., under two inches) seamless pipe in the standard pipe pricing column raises the average price of standard pipe to levels higher than those of other categories. See \*\*\*. Because of the lack of a clear price comparison across domestically produced seamless tubular products in the United States, prices as reported by the *Preston Pipe and Tube Report* have been omitted.

<sup>50</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 5 (February 2006), p. 2.

slightly in late 2006 and early 2007 reportedly due to high inventories, softening demand, and continued high import pressure.<sup>51</sup>

**Table IV-26**  
**Seamless pipe: Global prices, October 2005 - February 2007**

\* \* \* \* \*

Global seamless base prices and forecasts as published by MBR indicate that between summer 2005 and autumn 2006, prices for seamless line pipe in Europe were higher than those for line pipe in the United States before converging towards the end of 2006 (figure IV-1). MBR forecasts line pipe prices in Europe to slightly surpass U.S. prices in early 2007, with both prices following a slight declining trend during the first half of 2007 due to higher inventory levels, softening demand, and continued high import pressure.<sup>52</sup>

**Figure IV-1**  
**Seamless pipe: Global base prices (U.S. dollars per metric ton), July 2005 - July 2007 (forecasted)**

\* \* \* \* \*

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<sup>51</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 17 (February 2007), pp. 1–4.

<sup>52</sup> Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, Issue 17 (February 2007), pp. 1–4.



## **PART V: PRICING AND RELATED INFORMATION**

### **FACTORS AFFECTING PRICES**

#### **Raw Materials**

The cost of seamless SLP pipe depends largely on the costs of its inputs and processing. Seamless SLP pipe is produced from solid steel billets, which in turn are produced from either iron ore with coke as a main fuel source by integrated mills or from scrap in mini mills using electric arc furnaces, using electricity and natural gas as main fuels. The price of scrap has fluctuated since the beginning of 2004, but typically at a much higher level than before 2004 (figure V-1). In addition, electricity, natural gas, iron ore, and blast furnace coke costs have all increased since 2004 (table V-1).<sup>1</sup>

#### **Transportation Costs to the U.S. Market**

Transportation costs as a share of customs value for seamless SLP pipe from subject countries to the United States (excluding U.S. inland costs) in 2005 were equivalent to 4.1 percent for Argentina, 7.5 percent for Brazil, and 7.7 percent for Germany. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.

#### **U.S. Inland Transportation Costs**

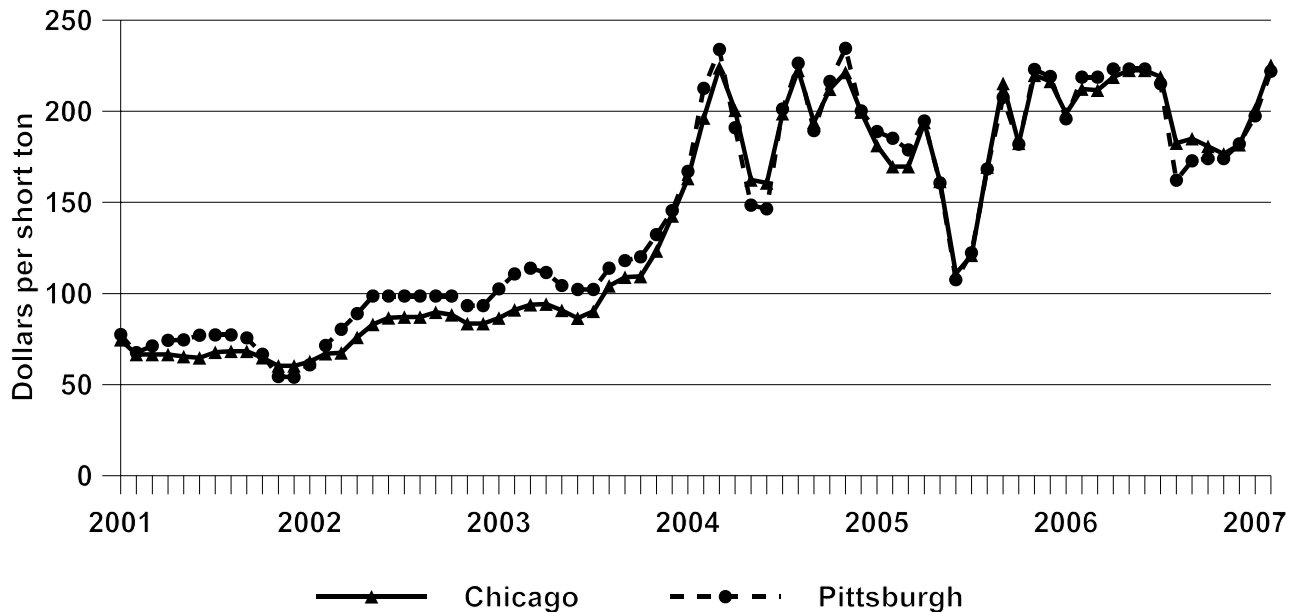
Three U.S. producers reported that U.S. inland transportation costs accounted for \*\*\* percent of the total delivered cost of seamless SLP pipe. Seven of eight responding importers reported that they were not responsible for transportation of seamless SLP pipe to their customers' location, and none of the importers provided the costs of inland transportation.

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<sup>1</sup> Iron-ore prices are projected to continue to rise in 2007, based on negotiations between major iron-ore producers and steelmakers. "Iron-Ore Prices Get Boost from Asia," *The Wall Street Journal*, December 28, 2006, p. A12.

Figure V-1

Ferrous scrap prices: No. 1 heavy melt, Chicago and Pittsburgh average consumer prices, monthly, January 2001 to February 2007



Source: American Metal Market LLC.

Table V-1

U.S. natural gas, electricity, iron ore, and blast furnace coke prices, 2001-06

Item	2001	2002	2003	2004	2005	2006 <sup>1</sup>
U.S. natural gas industrial price <sup>2</sup>	\$5.24	\$4.02	\$5.89	\$6.56	\$8.46	\$7.89
Electricity industrial price <sup>3</sup>	5.05	4.88	5.11	5.25	5.73	6.09
Iron ore (per metric ton)	23.87	26.04	32.30	37.92	44.00	52.00
Blast furnace coke (per metric ton)	120.00	120.00	121.00	122.00	123.00	135.00

<sup>1</sup> Monthly average for January through November for electricity.

<sup>2</sup> Price to industrial users in dollars per thousand cubic feet.

<sup>3</sup> Price to industrial users in cents per kilowatt-hour.

Sources: U.S. Energy Information Administration, <http://www.eia.doe.gov>, official statistics of the U.S. Department of Energy, [http://minerals.usgs.gov/minerals/pubs/commodity/iron\\_ore/feoremcs06.pdf](http://minerals.usgs.gov/minerals/pubs/commodity/iron_ore/feoremcs06.pdf), [http://minerals.usgs.gov/minerals/pubs/commodity/iron\\_ore/feoremcs07.pdf](http://minerals.usgs.gov/minerals/pubs/commodity/iron_ore/feoremcs07.pdf), and USGS estimate.

### Exchange Rates

Quarterly real and nominal exchange rates reported by the International Monetary Fund for the currencies of Argentina, Brazil, and Germany relative to the U.S. dollar during the period January 2001 to September 2006 are shown in figure V-2.

**Figure V-2**  
**Exchange rates: Indices of the nominal and real exchange rates between the currencies of Argentina, Brazil, and Germany relative to the U.S. dollar, by quarters, January 2001-September 2006**

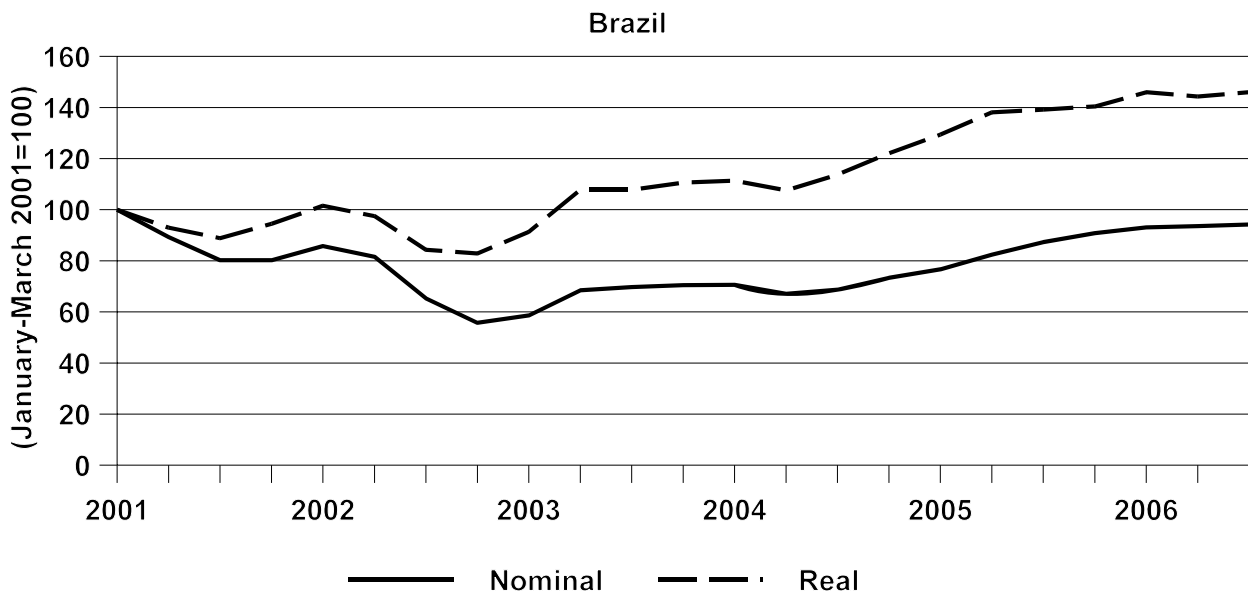
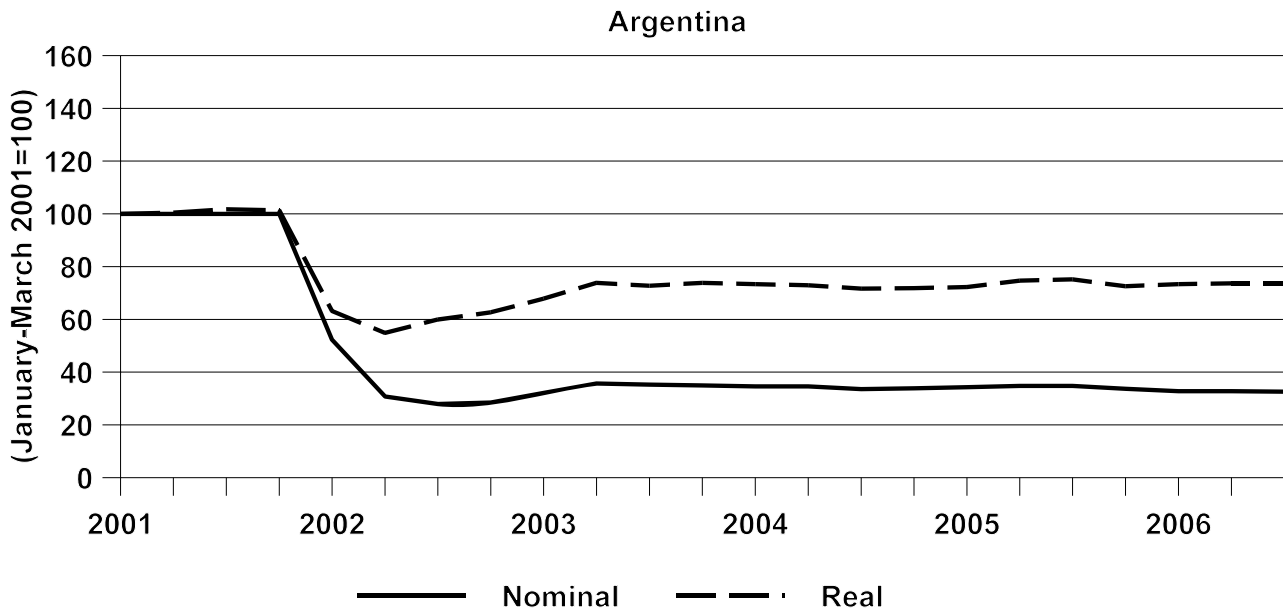
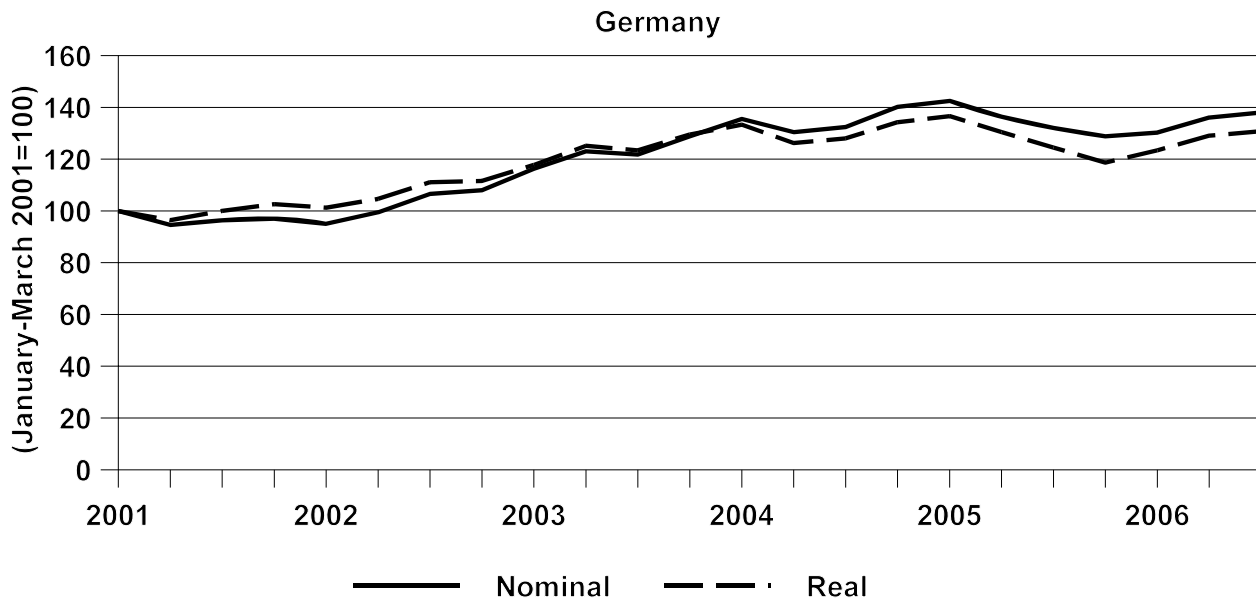


Figure continued.

Figure V-2--Continued

Exchange rates: Indices of the nominal and real exchange rates between the currencies of Argentina, Brazil, and Germany relative to the U.S. dollar, by quarters, January 2001-September 2006



Source: International Monetary Fund, *International Financial Statistics*, <http://ifs.apdi.net/imf/ifsbrowser.aspx?branch=ROOT>, retrieved on November 24, 2006.

## PRICING PRACTICES

Two of four responding U.S. producers, \*\*\*, reported using price lists; the other two producers reported transaction-by-transaction pricing (one of these companies also reported contract prices). Three U.S. producers reported offering discounts based on quantity or order size (one of these firms reported quantity discounts were available to authorized distributors) while one U.S. producer reported that it did not offer discounts. Seven of nine responding importers reported transaction by transaction prices, while one importer reported pricing on a cost plus basis and one reported contract prices. Seven of nine responding importers did not give discounts, or did not have a discount policy, one had annual volume discounts for its major distributors, and one gave discounts for individual items in order to increase the length of production lots.

Purchasers were asked if there were any price leaders; seven of 13 responding purchasers listed U.S. Steel as the only price leader, three other purchasers listed U.S. Steel as one of a number of price leaders, and three reported other price leaders, none of which were a U.S. producer. Other price leaders listed by purchasers were Koppel Steel and V&M Tube (listed by two firms), Sharon Tube, Mittal, Tenaris, and Heng Yang (a Chinese firm).

## Pricing Methods

Three of four responding U.S. producers reported that nearly all of their sales of seamless SLP pipe were on a spot basis. The other U.S. producer, \*\*\*, sold \*\*\* percent through short-term contracts. Importers also were asked to provide shares of contract and spot sales of seamless SLP pipe. \*\*\* an

importer of \*\*\* product, reported that all of its sales were spot sales.<sup>2</sup> In addition, four importers separately reported that at least some of their sales of imported seamless SLP pipe from \*\*\* were through short-term contracts.

### Sales Terms

Three U.S. producers reported selling on an f.o.b. basis while one reported selling on a delivered basis. One of the two responding importers reported selling on a delivered basis and the other on a c.i.f. duty paid basis. Two U.S. producers reported sales terms of net 60 days; one reported terms of net 30 days; and one reported terms of ½ percent for payments within 10 days, net 30. All three responding importers reporting sales terms of net 30.

### PRICE DATA

The Commission requested U.S. producers and importers of seamless SLP pipe to provide quarterly quantity and f.o.b. value data for shipments of the following products to unrelated U.S. customers during January 2001-September 2006:<sup>3</sup>

**Product 1:** Seamless pipe triple-stenciled (or more) to meet ASTM A-106 grade B, ASTM A-53 grade B, and API 5L grade B specifications; 1 inch nominal size (1.315 inch OD x 0.179 inch wall thickness); plain ends; schedule 80.

**Product 2:** Seamless pipe triple-stenciled (or more) to meet ASTM A-106 grade B, ASTM A-53 grade B, and API 5L grade B specifications; 2-1/2 inch nominal size (2.875 inch OD x 0.276 inch wall thickness); plain ends; schedule 80.

**Product 3:** Seamless pipe triple-stenciled (or more) to meet ASTM A-106 grade B, ASTM A-53 grade B, and API 5L grade B specifications; 3 inch nominal size (3.5 inch OD x 0.3 inch wall thickness); plain ends; schedule 80.

**Product 4:** Seamless pipe triple-stenciled (or more) to meet ASTM A-106 grade B, ASTM A-53 grade B, and API 5L grade B specifications; 4 inch nominal size (4.5 inch OD x 0.337 inch wall thickness); plain ends; schedule 80.

**Product 5:** Seamless pipe stenciled to meet ASTM A-335 grade P22; 2 inch nominal size (2.375 inch OD x 0.218 inch wall thickness); plain ends; schedule 80.

U.S. producers \*\*\*, \*\*\*, and \*\*\* provided pricing data for sales of products 1-4; no U.S. producer reported data for product 5. Limited price data were reported by one importer for Brazil for product 3 and for Germany for product 1. \*\*\*. No importer provided price data for products from Argentina. By quantity, pricing data reported by responding firms for January 2001-September 2006 accounted for approximately one-quarter of reported U.S. producers' shipments of seamless SLP pipe and

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<sup>2</sup> \*\*\*.

<sup>3</sup> The products used in these second reviews were also used in the first reviews. There was one additional product in the first reviews, however, there were few sales of this product and for this reason data for this product were not requested for this product in the second reviews.

less than one percent of Brazilian and German product.<sup>4</sup> Data for the United States and Brazil are presented in tables V-2 and V-3 and data for the United States, Brazil, and Germany are presented in figure V-3. For the two quarters in which there were Brazilian price data, Brazilian product was priced higher than U.S. product, with margins of overselling of \*\*\* percent in the fourth quarter of 2004 and \*\*\* percent in the \*\*\* quarter of 2005. \*\*\* reported that in the first quarter of 2001, it sold \*\*\* short tons of product \*\*\* imported from \*\*\* at an average unit value of \$\*\*\* per ton, \*\*\* percent higher than reported U.S. producer prices in that quarter.

**Table V-2**  
**Seamless SLP pipe: Weighted-average f.o.b. prices and quantities of domestic products 1, 2, and 4, by quarters, January 2001-September 2006**

\* \* \* \* \*

**Table V-3**  
**Seamless SLP pipe: Weighted-average f.o.b. prices and quantities of domestic and imported products, and margins of underselling/(overselling) for product 3, by quarters, January 2001-September 2006**

\* \* \* \* \*

**Figure V-3**  
**Seamless SLP pipe: Weighted-average f.o.b. prices of domestic and imported products 1-4, January 2001-September 2006**

\* \* \* \* \*

### Price Trends

U.S. producer prices increased by \*\*\* to \*\*\* percent during the period for which data were collected, with most of the increase since 2004.

Purchasers were asked if there has there been a change in the price of seamless SLP pipe since 2001, and if so, whether the price of U.S.-produced seamless SLP pipe changed more or less than the price of seamless SLP pipe imported from Argentina, Brazil, or Germany. Six of nine responding purchasers indicated that prices had changed by the same amount; one indicated that there had been no change in price; one indicated that the price of U.S.-produced seamless SLP pipe had changed relative to the price of products from each of the three subject countries; and one indicated that the price of U.S.-produced product had changed relative to the price of product from Germany.

In the original investigations, pricing data were collected for seven products, however comparable prices were only available for six of the products. The number of instances of underselling and overselling for each of these products, by country, are provided in table V-4. No pricing comparisons for U.S. and subject countries were available in the first reviews.

**Table V-4**  
**Seamless SLP pipe: Number of quarters of underselling and overselling and highest and lowest margin of underselling and overselling in the initial investigations, by country and product**

\* \* \* \* \*

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<sup>4</sup> Pricing data accounted for \*\*\* percent of reported U.S. producers' shipments of seamless SLP pipe, \*\*\* percent of Brazilian and \*\*\* percent of German product. \*\*\*.

**APPENDIX A**

***FEDERAL REGISTER* NOTICES AND  
THE COMMISSION'S STATEMENT ON ADEQUACY**





Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Ave., NW., Washington, DC 20230. For information from the Commission contact Mary Messer, Office of Investigations, U.S. International Trade Commission at (202) 205-3193.

**DEPARTMENT OF COMMERCE**

**International Trade Administration**

**Initiation of Five-Year (“Sunset”) Reviews**

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

**SUMMARY:** In accordance with section 751(c) of the Tariff Act of 1930, as amended (“the Act”), the Department of Commerce (“the Department”) is automatically initiating a five-year (“Sunset Review”) of the antidumping and countervailing duty orders listed below. The International Trade Commission (“the Commission”) is publishing concurrently with this notice its notice of *Institution of Five-Year Review* which covers these same orders.

**DATES:** *Effective Date:* June 1, 2006.

**FOR FURTHER INFORMATION CONTACT:** The Department official identified in the *Initiation of Review(s)* section below at AD/CVD Operations, Import

**SUPPLEMENTARY INFORMATION:**

**Background**

The Department’s procedures for the conduct of Sunset Reviews are set forth in its *Procedures for Conducting Five-Year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders*, 63 FR 13516 (March 20, 1998) and 70 FR 62061 (October 28, 2005). Guidance on methodological or analytical issues relevant to the Department’s conduct of Sunset Reviews is set forth in the Department’s Policy Bulletin 98.3—*Policies Regarding the Conduct of Five-Year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders; Policy Bulletin*, 63 FR 18871 (April 16, 1998) (“*Sunset Policy Bulletin*”).

**Initiation of Reviews**

In accordance with 19 CFR 351.218(c), we are initiating the Sunset Review of the following antidumping and countervailing duty orders:

DOC case No.	ITC case No.	Country	Product	Department contact
A-357-810 .....	731-TA-711 .....	Argentina .....	Oil Country Tubular Goods (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-475-816 .....	731-TA-713 .....	Italy .....	Oil Country Tubular Goods (2nd Review).	Dana Mermelstein, (202) 482-1391.
C-475-817 .....	701-TA-364 .....	Italy .....	Oil Country Tubular Goods (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-588-835 .....	731-TA-714 .....	Japan .....	Oil Country Goods (2nd Review) .....	Dana Mermelstein, (202) 482-1391.
A-580-825 .....	731-TA-715 .....	South Korea .....	Oil Country Tubular Goods (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-201-817 .....	731-TA-716 .....	Mexico .....	Oil Country Tubular Goods (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-357-809 .....	731-TA-707 .....	Argentina .....	Seamless Line and Pressure Pipe (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-351-826 .....	731-TA-708 .....	Brazil .....	Seamless Line and Pressure Pipe (2nd Review).	Dana Mermelstein, (202) 482-1391.
A-428-820 .....	731-TA-709 .....	Germany .....	Seamless Line and Pressure Pipe (2nd Review).	Dana Mermelstein, (202) 482-1391.

**Filing Information**

As a courtesy, we are making information related to Sunset proceedings, including copies of the Department’s regulations regarding Sunset Reviews (19 CFR 351.218) and *Sunset Policy Bulletin*, the Department’s schedule of Sunset Reviews, case history information (*i.e.*, previous margins, duty absorption determinations, scope language, import volumes), and service lists available to the public on the Department’s sunset

Internet Web site at the following address: “<http://ia.ita.doc.gov/sunset/>.” All submissions in these Sunset Reviews must be filed in accordance with the Department’s regulations regarding format, translation, service, and certification of documents. These rules can be found at 19 CFR 351.303.

Pursuant to 19 CFR 351.103(c), the Department will maintain and make available a service list for these proceedings. To facilitate the timely preparation of the service list(s), it is

requested that those seeking recognition as interested parties to a proceeding contact the Department in writing within 10 days of the publication of the Notice of Initiation.

Because deadlines in Sunset Reviews can be very short, we urge interested parties to apply for access to proprietary information under administrative protective order (“APO”) immediately following publication in the **Federal Register** of the notice of initiation of the sunset review. The Department’s

regulations on submission of proprietary information and eligibility to receive access to business proprietary information under APO can be found at 19 CFR 351.304–306.

### Information Required From Interested Parties

Domestic interested parties (defined in section 771(9)(C), (D), (E), (F), and (G) of the Act and 19 CFR 351.102(b)) wishing to participate in these Sunset Reviews must respond not later than 15 days after the date of publication in the **Federal Register** of this notice of initiation by filing a notice of intent to participate. The required contents of the notice of intent to participate are set forth at 19 CFR 351.218(d)(1)(ii). In accordance with the Department's regulations, if we do not receive a notice of intent to participate from at least one domestic interested party by the 15-day deadline, the Department will automatically revoke the orders without further review. *See* 19 CFR 351.218(d)(1)(iii).

If we receive an order-specific notice of intent to participate from a domestic interested party, the Department's regulations provide that *all parties* wishing to participate in the Sunset Review must file complete substantive responses not later than 30 days after the date of publication in the **Federal Register** of this notice of initiation. The required contents of a substantive response, on an order-specific basis, are set forth at 19 CFR 351.218(d)(3). Note that certain information requirements differ for respondent and domestic parties. Also, note that the Department's information requirements are distinct from the Commission's information requirements. Please consult the Department's regulations for information regarding the Department's conduct of Sunset Reviews.<sup>1</sup> Please consult the Department's regulations at 19 CFR Part 351 for definitions of terms and for other general information concerning antidumping and countervailing duty proceedings at the Department.

This notice of initiation is being published in accordance with section 751(c) of the Act and 19 CFR 351.218(c).

Dated: May 22, 2006.

**Thomas F. Futtner**,  
*Acting Office Director, AD/CVD Operations,  
Office 4 for Import Administration.*

[FR Doc. E6–8510 Filed 5–31–06; 8:45 am]

**BILLING CODE 3510–DS–P**

<sup>1</sup> In comments made on the interim final sunset regulations, a number of parties stated that the proposed five-day period for rebuttals to substantive responses to a notice of initiation was insufficient. This requirement was retained in the final sunset regulations at 19 CFR 351.218(d)(4). As provided in 19 CFR 351.302(b), however, the Department will consider individual requests for extension of that five-day deadline based upon a showing of good cause.

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation Nos. 731-TA-707-709  
(Second Review)]

**Certain Seamless Carbon and Alloy  
Steel Standard, Line, and Pressure  
Pipe From Argentina, Brazil, and  
Germany**

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Institution of five-year reviews  
concerning the antidumping duty orders  
on certain seamless carbon and alloy  
steel standard, line, and pressure pipe  
("seamless pipe") from Argentina,  
Brazil, and Germany.

**SUMMARY:** The Commission hereby gives  
notice that it has instituted reviews  
pursuant to section 751(c) of the Tariff  
Act of 1930 (19 U.S.C. 1675(c)) (the Act)  
to determine whether revocation of the  
antidumping duty orders on seamless  
pipe from Argentina, Brazil, and  
Germany would be likely to lead to

continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;<sup>1</sup> to be assured of consideration, the deadline for responses is July 21, 2006. Comments on the adequacy of responses may be filed with the Commission by August 14, 2006. For further information concerning the conduct of these reviews 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, D, E, and F (19 CFR part 207).

**DATES:** *Effective Date:* June 1, 2006.

**FOR FURTHER INFORMATION CONTACT:**

Mary Messer (202-205-3193), 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 reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:**

*Background.* On August 3, 1995, the Department of Commerce ("Commerce") issued antidumping duty orders on imports of seamless pipe from Argentina, Brazil, and Germany (60 FR 39704). Following five-year reviews by Commerce and the Commission, effective July 16, 2001, Commerce issued a continuation of the antidumping duty orders on imports of seamless pipe from Argentina, Brazil, and Germany (66 FR 37004). The Commission is now conducting second reviews to determine whether revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It

will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

*Definitions.* The following definitions apply to these reviews:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year reviews, as defined by Commerce.

(2) The *Subject Countries* in these reviews are Argentina, Brazil, and Germany.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the *Subject Merchandise*. In its original determinations and its full five-year review determinations, the Commission found one *Domestic Like Product* consisting of seamless carbon and alloy steel standard, line, and pressure pipe and tube not more than 4.5 inches in outside diameter, and including redraw hollows.

(4) The *Domestic Industry* is the U.S. producers as a whole of the *Domestic Like Product*, or those producers whose collective output of the *Domestic Like Product* constitutes a major proportion of the total domestic production of the product. In its original determinations and full five-year review determinations, the Commission defined the *Domestic Industry* as producers of seamless carbon and alloy steel standard, line, and pressure pipe and tube not more than 4.5 inches in outside diameter, as well as all redraw hollows.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the *Subject Merchandise* into the United States from a foreign manufacturer or through its selling agent.

*Participation in the reviews and public service list.* Persons, including industrial users of the *Subject Merchandise* and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing

the names and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission is seeking guidance as to whether a second transition five-year review is the "same particular matter" as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was "personal and substantial." However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at 202-205-3088.

*Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.* Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

*Certification.* Pursuant to § 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

<sup>1</sup> No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 06-5-154, expiration date June 30, 2008. Public reporting burden for the request is estimated to average 10 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

*Written submissions.*—Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is July 21, 2006. Pursuant to § 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. The deadline for filing such comments is August 14, 2006. All written submissions must conform with the provisions of §§ 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of §§ 201.6 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 § 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

*Inability to provide requested information.* Pursuant to § 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

*Information To Be Provided in Response to This Notice of Institution:* If you are a domestic producer, union/worker group, or trade/business association; import/export *Subject Merchandise* from more than one *Subject Country*; or produce *Subject Merchandise* in more than one *Subject Country*, you may file a single response. If you do so, please ensure that your

response to each question includes the information requested for each pertinent *Subject Country*. As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and e-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the *Domestic Like Product*, a U.S. union or worker group, a U.S. importer of the *Subject Merchandise*, a foreign producer or exporter of the *Subject Merchandise*, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty orders on the *Domestic Industry* in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of *Subject Merchandise* on the *Domestic Industry*.

(5) A list of all known and currently operating U.S. producers of the *Domestic Like Product*. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the *Subject Merchandise* and producers of the *Subject Merchandise* in each *Subject Country* that currently export or have exported *Subject Merchandise* to the United States or other countries after 2000.

(7) If you are a U.S. producer of the *Domestic Like Product*, provide the following information on your firm's operations on that product during calendar year 2005 (report quantity data in short tons and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the *Domestic*

*Like Product* accounted for by your firm's(s') production;

(b) the quantity and value of U.S. commercial shipments of the *Domestic Like Product* produced in your U.S. plant(s); and

(c) the quantity and value of U.S. internal consumption/company transfers of the *Domestic Like Product* produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the *Subject Merchandise* from the *Subject Countries*, provide the following information on your firm's(s') operations on that product during calendar year 2005 (report quantity data in short tons and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') imports;

(b) the quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. commercial shipments of *Subject Merchandise* imported from each *Subject Country*; and

(c) the quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. internal consumption/company transfers of *Subject Merchandise* imported from each *Subject Country*.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the *Subject Merchandise* in the *Subject Countries*, provide the following information on your firm's(s') operations on that product during calendar year 2005 (report quantity data in short tons and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of *Subject Merchandise* in each *Subject Country* accounted for by your firm's(s') production; and

(b) the quantity and value of your firm's(s') exports to the United States of *Subject Merchandise* and, if known, an estimate of the percentage of total exports to the United States of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand

conditions or business cycle for the *Domestic Like Product* that have occurred in the United States or in the market for the *Subject Merchandise* in the *Subject Countries* after 2000, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the *Domestic Like Product* produced in the United States, *Subject Merchandise* produced in the *Subject Countries*, and such merchandise from other countries.

(11) (OPTIONAL) A statement of whether you agree with the above definitions of the *Domestic Like Product* and *Domestic Industry*; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

**Authority:** These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

By order of the Commission.

Issued: May 24, 2006.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E6-8308 Filed 5-31-06; 8:45 am]

**BILLING CODE 7020-02-P**

information concerning the conduct of these reviews 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, D, E, and F (19 CFR part 207).

**DATES:** *Effective Date:* September 5, 2006.

**FOR FURTHER INFORMATION CONTACT:** Mary Messer (202-205-3193), 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 reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:** On September 5, 2006, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act. The Commission found that the domestic interested party group response to its notice of institution (71 FR 31209, June 1, 2006) was adequate and that the respondent interested party group response with respect to Argentina was adequate and decided to conduct a full review with respect to the order covering seamless pipe from Argentina. The Commission found that the respondent interested party group responses with respect to Brazil and Germany were inadequate.<sup>1</sup> However, the Commission determined to conduct full reviews concerning seamless pipe from Brazil and Germany to promote administrative efficiency in light of its decision to conduct a full review with respect to seamless pipe from Argentina. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

**Authority:** These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published

## INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731-TA-707-709  
(Second Review)]

### Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From Argentina, Brazil, and Germany

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Notice of Commission  
determinations to conduct full five-year  
reviews concerning the antidumping  
duty orders on certain seamless carbon  
and alloy steel standard, line, and  
pressure pipe ("seamless pipe") from  
Argentina, Brazil, and Germany.

**SUMMARY:** The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty orders on seamless pipe from Argentina, Brazil, and Germany would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further

<sup>1</sup> Commissioner Deanna Tanner Okun and Commissioner Charlotte R. Lane found that the respondent interested party group response with respect to Germany was adequate.

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pursuant to section 207.62 of the  
Commission's rules.

By order of the Commission.

Issued: September 11, 2006.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E6-15360 Filed 9-14-06; 8:45 am]

**BILLING CODE 7020-02-P**



continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews 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, D, E, and F (19 CFR part 207).

*Effective Date:* September 22, 2006

**FOR FURTHER INFORMATION CONTACT:**

Joanna Lo (202-205-1888), 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 reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:**

*Background:* On September 5, 2006, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (71 FR 54520, September 15, 2006). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

*Participation in the reviews and public service list:* Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

*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 reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

*Staff report:* The prehearing staff report in the reviews will be placed in the nonpublic record on January 9, 2007, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

*Hearing:* The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on February 8, 2007, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 30, 2007. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on February 5, 2007, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 business days prior to the date of the hearing.

*Written submissions:* Each party to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is January 19, 2007. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is February 20, 2007; witness testimony must be filed no later

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## INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731-TA-707-709 (Second Review)]

### Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From Argentina, Brazil, and Germany

**AGENCY:** United States International Trade Commission.

**ACTION:** Scheduling of full five-year reviews concerning the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure pipe from Argentina, Brazil, and Germany.

**SUMMARY:** The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders on certain seamless carbon and alloy steel standard, line, and pressure pipe from Argentina, Brazil, and Germany would be likely to lead to

than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before February 20, 2007. On March 19, 2007, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before March 21, 2007, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II(C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (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 reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: September 26, 2006.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E6-16025 Filed 9-28-06; 8:45 am]

BILLING CODE 7020-02-P

**DEPARTMENT OF COMMERCE****International Trade Administration**

(A-357-809, A-351-826, A-428-820)

**Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from Argentina, Brazil and Germany: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders**

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

**SUMMARY:** On June 1, 2006, the Department of Commerce (the Department) initiated sunset reviews of the antidumping duty orders on certain small diameter carbon and alloy seamless standard, line, and pressure pipe (seamless line pipe) from Argentina, Brazil, and Germany pursuant to section 751(c) of the Tariff Act of 1930, as amended (the Act). *See Initiation of Five-year ("Sunset") Reviews*, 71 FR 31153 (June 1, 2006) (*Sunset Initiation*). On the basis of a notice of intent to participate and adequate substantive responses filed on behalf of domestic interested parties, and only one notice of intent to participate filed on behalf of a German respondent interested party, Benteler Stahl/Rohr GmbH (Benteler Stahl), the response for which was determined by the Department to be inadequate, the Department conducted expedited (120-day) sunset reviews. As a result of these sunset reviews, the Department finds that revocation of the antidumping duty orders would likely lead to the continuation or recurrence of dumping. The dumping margins are identified in the *Final Results of Review* section of this notice.

**EFFECTIVE DATE:** October 6, 2006.

**FOR FURTHER INFORMATION CONTACT:**

Dana Mermelstein or Dena Crossland, AD/CVD Operations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-1391 or (202) 482-3362, respectively.

**SUPPLEMENTARY INFORMATION:****Background**

On June 1, 2006, the Department initiated sunset reviews of the

antidumping duty orders on seamless line pipe from Argentina, Brazil, and Germany pursuant to section 751(c) of the Act. *See Sunset Initiation*. The Department received notices of intent to participate from two domestic interested parties, United States Steel Corporation (US Steel) and Koppel Steel Corporation (Koppel Steel) (collectively, domestic interested parties), within the deadline specified in section 351.218(d)(1)(i) of the Department's regulations. Domestic interested parties claimed interested party status under section 771(9)(C) of the Act as U.S. producers of the domestic like product. We received complete substantive responses from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i) on July 3, 2006.

The Department received one substantive response from the German respondent interested party, Benteler Stahl, on July 3, 2006. On July 14, 2006, we received rebuttal responses from domestic interested parties and Benteler Stahl. After reviewing its substantive and rebuttal responses, the Department determined that Benteler Stahl's submissions were inadequate, pursuant to sections 218(e)(1)(ii)(A) and (C) of the Department's regulations. *See Memorandum from Dena M. Crossland, Import Compliance Specialist, through Richard O. Weible, AD/CVD Operations Office 7 Director, to Stephen J. Claeys, Deputy Assistant Secretary of Import Administration, regarding Adequacy Determination: Sunset Review of the Antidumping Duty Order on Seamless Standard Line, and Pressure Pipe from Germany, dated July 21, 2006.* No other respondent interested parties submitted responses. As a result of the timely filed, substantive responses from domestic interested parties, and the inadequacy of the substantive response for Germany (the sole substantive response from a respondent interested party in these sunset reviews), the Department conducted expedited sunset reviews of these orders, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2).

**Scope of the Orders**

The products covered by the orders are seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the API 5L specifications and meeting the physical parameters described below, regardless of application. The scope of the orders also includes all products used in standard, line, or pressure pipe

applications and meeting the physical parameters described below, regardless of specification.

Specifically included within the scope of the orders are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside diameter, regardless of wall-thickness, manufacturing process (hot finished or cold-drawn), end finish (plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish.

The seamless pipes subject to the orders are currently classifiable under the subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.30.00, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25 of the Harmonized Tariff Schedule of the United States (HTSUS).

Specifications, Characteristics, and Uses: Seamless pressure pipes are intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gases in industrial piping systems. They may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the ASTM A-106 standard may be used in temperatures of up to 1000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106. Seamless pressure pipes sold in the United States are commonly produced to the ASTM A-106 standard.

Seamless standard pipes are most commonly produced to the ASTM A-53 specification and generally are not intended for high temperature service. They are intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperatures but must not exceed relevant ASME code requirements. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

Seamless line pipes are intended for the conveyance of oil and natural gas or other fluids in pipelines. Seamless line pipes are produced to the API 5L specification.

Seamless water well pipe (ASTM A-589) and seamless galvanized pipe for fire protection uses (ASTM A-795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53, API 5L-B, and API 5L-X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers.

The primary application of ASTM A-106 pressure pipes and triple or quadruple certified pipes is use in pressure piping systems by refineries, petrochemical plants, and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear), and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. A minor application of this product is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A-106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/ hydrostatic testing or other methods to enable the material to be sold under ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications.

The scope of the orders includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, with the exception of the specific exclusions discussed below, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of the orders. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications shall be covered if used in a standard, line, or pressure application, with the exception of the specific exclusions discussed below. For example, there are certain other ASTM specifications of pipe which, because of overlapping

characteristics, could potentially be used in ASTM A-106 applications. These specifications generally include ASTM A-161, ASTM A-192, ASTM A-210, ASTM A-252, ASTM A-501, ASTM A-523, ASTM A-524, and ASTM A-618. When such pipes are used in a standard, line, or pressure pipe application, with the exception of the specific exclusions discussed below, such products are covered by the scope of the orders.

Specifically excluded from the scope of the orders are boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished oil country tubular goods (OCTG) are excluded from the scope of the orders, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.

With regard to the excluded products listed above, the Department will not instruct U.S. Customs and Border Protection (CBP) to require end-use certification until such time as petitioner or other interested parties provide to the Department a reasonable basis to believe or suspect that the products are being used in a covered application. If such information is provided, we will require end-use certification only for the product(s) (or specification(s)) for which evidence is provided that such products are being used in covered applications as described above. For example, if, based on evidence provided by petitioner, the Department finds a reasonable basis to believe or suspect that seamless pipe produced to the A-161 specification is being used in a standard, line or pressure application, we will require end-use certifications for imports of that specification. Normally we will require only the importer of record to certify to the end use of the imported merchandise. If it later proves necessary for adequate implementation, we may also require producers who export such products to the United States to provide such certification on invoices accompanying shipments to the United States.

Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the merchandise subject to this scope is dispositive.

**Analysis of Comments Received**

All issues raised in these cases are addressed in the "Issues and Decision Memorandum" from Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, to David M. Spooner, Assistant Secretary for Import Administration, dated September 28, 2006, (Decision Memorandum), which is hereby adopted by this notice. The issues discussed in the Decision Memorandum include the likelihood of

continuation or recurrence of dumping and the magnitude of the margin likely to prevail if the orders are revoked.

Parties can find a complete discussion of all issues raised in these sunset reviews and the corresponding recommendations in this public memorandum, which is on file in room B-099 of the main Department building.

In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at <http://ia.ita.doc.gov>, under the heading

"September 2006." The paper copy and electronic version of the Decision Memorandum are identical in content.

**Final Results of Reviews**

We determine that revocation of the antidumping duty orders on pipe fittings from Argentina, Brazil, and Germany would likely lead to continuation or recurrence of dumping at the following percentage weighted-average margins:

Manufacturers/exporters/producers	Weighted-average margin (percent)
<b>Argentina.</b>	
Siderca SAIC .....	108.13
All Others .....	108.13
<b>Brazil.</b>	
V & M do Brasil, S.A. ....	124.94
All Others .....	124.94
<b>Germany.</b>	
Vallourec & Mannesmann Tubes - V&M Deutschland GmbH .....	57.72
All Others .....	57.72

This notice also serves as the only reminder to parties subject to administrative protective orders (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: September 29, 2006.

**Stephen J. Claeys,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. E6-16601 Filed 10-5-06; 8:45 am]

BILLING CODE 3510-DS-S



## **EXPLANATION OF COMMISSION DETERMINATIONS ON ADEQUACY**

in

*Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, and Germany, Inv. Nos. 731-TA-707-709 (Second Review)*

On September 5, 2006, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(3)(B).

The Commission received an individually adequate response filed jointly by United States Steel Corporation and Koppel Steel Corporation, which indicated that they account for the majority of U.S. production of seamless pipe. The Commission therefore determined that the domestic interested party group response was adequate.

With respect to the review pertaining to the order on subject imports from Argentina, the Commission received an individually adequate response from Siderca S.A.I.C., which accounts for all production of the subject merchandise in Argentina, and determined that the Argentine respondent interested party group response was adequate.

The Commission received no responses from any respondent interested party regarding the order on subject imports from Brazil. Thus, it unanimously determined that the Brazilian respondent interested party group response to the notice of institution was inadequate.

As pertains to the review regarding the order on subject imports from Germany, the Commission received an individually adequate joint response from Benteler Steel and Tube Corporation, a German producer and exporter of the subject merchandise, and Benteler Stahl/Rohr GmbH, a U.S. importer, though not of the subject merchandise. Benteler accounts for a small portion of production of subject merchandise in Germany. The Commission determined that the German respondent interested party group response to the notice of institution was inadequate.<sup>1</sup>

Notwithstanding its determinations that the respondent interested party group responses with respect to Brazil and Germany were inadequate, the Commission determined to conduct full reviews in order to promote administrative efficiency in light of its decision to conduct a full review with respect to the order on seamless pipe from Argentina.

A record of the Commissioners' votes is available from the Office of the Secretary and at the Commission's web site.

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<sup>1</sup> Commissioners Okun and Lane determined that the respondent interested party group response with respect to Germany was adequate.





**APPENDIX B**  
**HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing on *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Argentina, Brazil, and Germany*, Investigation Nos. 731-TA-707-709 (Second Review).

On February 8, 2007, sessions were held in connection with these reviews in the Main Hearing Room, 500 E Street (room 101), SW, Washington, D.C.

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

### **CONGRESSIONAL APPEARANCE:**

**The Honorable Betty Sutton, U.S. Congresswoman, 13<sup>th</sup> District, State of Ohio**

### **STATE GOVERNMENT APPEARANCE:**

**The Honorable Linda Coleman, State Senator, District 20, State of Alabama**

### **OPENING REMARKS:**

In Support of Continuation of Orders (**James C. Hecht**,  
Skadden, Arps, Slate, Meagher & Flom LLP)

In Opposition to Continuation of Orders (**Gregory J. Spak**,  
White & Case LLP)

### **In Support of Continuation of Antidumping Duty Orders:**

Skadden, Arps, Slate, Meagher & Flom LLP  
Washington, D.C.  
on behalf of

United States Steel Corporation ("U.S. Steel")  
IPSCO Koppel Tubulars Corporation ("Koppel Steel")

**Leslie J. Broglie**, General Manager, Tubular  
Products, U.S. Steel

**In Support of Continuation of  
Antidumping Duty Orders (continued):**

**Thomas Verellen**, Manager, Tubular Sales,  
U.S. Steel

**Martin Leland**, National Sales Manager,  
Tubular Products, U.S. Steel

**Scott Dorn**, Director, Commercial Tubular Products,  
U.S. Steel

**William Buono**, Marketing Manager, Tubular  
Products, U.S. Steel

**Michael Ramsey**, Product Manager, Seamless  
Tubular Products, Koppel Steel

**James Durham**, Chief Executive Officer, Dixie  
Pipe Sales, LP

**Larry Binder**, Manager, Tubular Products,  
Red Man Pipe and Supply

**David McCall**, Director, District 2, United  
Steelworkers of America

**Robert Stoner**, Senior Vice President,  
Economists, Inc.

**James C. Hecht** )  
**Stephen P. Vaughn** ) – OF COUNSEL  
**Stephen J. Narkin** )

**In Opposition to Continuation of  
Antidumping Duty Orders:**

White & Case LLP  
Washington, D.C.  
on behalf of

Siderca S.A.I.C. (“Siderca”)

**Roland Balkenende**, General Manager, Tenaris  
Global Services (USA) Corporation  
 (“TGS USA”)

**Gregory J. Spak** )  
**Kristina Zissis** ) – OF COUNSEL  
**Miguel Mayorga-Martinez** )

Sutherland Asbill & Brennan LLP  
Washington, D.C.  
on behalf of

Benteler Stahl/Rohr GmbH  
Benteler Steel and Tube Corporation

**Michael Herminghaus**, President, Benteler Steel  
and Tube Corporation

**Mark D. Herlach** )  
**Christer L. Mossberg** ) – OF COUNSEL  
**Leanne Cowen** )

**REBUTTAL/CLOSING REMARKS:**

In Support of Continuation of Orders (**Stephen P. Vaughn**,  
Skadden, Arps, Slate, Meagher & Flom LLP)  
In Opposition to Continuation of Orders (**Gregory J. Spak**,  
White & Case LLP)



**APPENDIX C**  
**SUMMARY DATA**





**Table C-1**  
**Seamless SLP pipe: Summary data concerning the U.S. market, 2001-05, January-September 2005, and**  
**January-September 2006**

\* \* \* \* \*



**APPENDIX D**

**U.S. PRODUCERS', U.S. IMPORTERS', U.S. PURCHASERS',  
AND FOREIGN PRODUCERS' COMMENTS REGARDING  
THE EFFECTS OF THE ANTIDUMPING DUTY ORDERS AND  
THE LIKELY EFFECTS OF REVOCATION**



**U.S. PRODUCERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND THE  
LIKELY EFFECTS OF REVOCATION**

U.S. producers were asked whether they anticipated any changes in the character of their operations or organization relating to the production of seamless SLP pipe in the future if the antidumping orders were to be revoked. (Question II-4). Their responses were as follows:

**Koppel Steel**

\*\*\*

**Sharon Tube**

\*\*\*

**Timken**

\*\*\*

**U.S. Steel**

\*\*\*

---

U.S. producers were asked whether they anticipated any changes in their production capacity, production, U.S. shipments, purchases, or employment relating to the production of seamless SLP pipe in the future if the antidumping orders were to be revoked. (Question II-15). Their responses were as follows:

**Koppel Steel**

\*\*\*

**Sharon Tube**

\*\*\*

**Timken**

\*\*\*

**U.S. Steel**

\*\*\*

---

U.S. producers were asked to describe the significance of the existing antidumping orders covering seamless SLP pipe from Argentina, Brazil, or Germany in terms of their effects on their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. (Question II-14). Their responses were as follows:

**Koppel Steel**

\*\*\*

**Sharon Tube**

\*\*\*

**Timken**

\*\*\*

**U.S. Steel**

\*\*\*

**U.S. IMPORTERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND THE  
LIKELY EFFECTS OF REVOCATION**

U.S. importers were asked whether they anticipated any changes in the character of their operations or organization relating to the importation of seamless SLP pipe in the future if the antidumping orders were to be revoked. (Question II-4). Their responses were as follows:

**Benteler Steel & Tube Corporation<sup>1</sup>**

\*\*\*

**Commercial Metals Co.**

\*\*\*

**Connectors, Inc.**

\*\*\*

**Duferco Steel, Inc.**

\*\*\*

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<sup>1</sup> \*\*\*.

**Man Ferrostaal, Inc.**

\*\*\*

**Norco Industrial, Co.**

\*\*\*

**Sumitomo Corporation of America**

\*\*\*

**Tenaris**

\*\*\*

**TPCO Enterprises, Inc.**

\*\*\*

**V&M Tubes Corp.**

\*\*\*

**Voest Alpine Tubular, Corp.**

\*\*\*

---

U.S. importers were asked whether they anticipated any changes in their imports, U.S. shipments of imports, or inventories of seamless SLP pipe in the future if the antidumping orders from Argentina, Brazil, or Germany were to be revoked. (Question II-9). Their responses were as follows:

**Benteler Steel & Tube Corporation**

\*\*\*

**Commercial Metals Co.**

\*\*\*

**Connectors, Inc.**

\*\*\*

**Duferco Steel, Inc.**

\*\*\*

**Man Ferrostaal, Inc.**

\*\*\*

**Norco Industrial, Co.**

\*\*\*

**Sumitomo Corporation of America**

\*\*\*

**Tenaris**

\*\*\*

**TPCO Enterprises, Inc.**

\*\*\*

**V&M Tubes Corp.**

\*\*\*

**Voest Alpine Tubular, Corp.**

\*\*\*

---

U.S. importers were asked to describe the significance of the existing antidumping orders covering seamless SLP pipe from Argentina, Brazil, or Germany in terms of their effects on their imports, U.S. shipments of imports, and inventories. (Question II-8). Their responses were as follows:

**Benteler Steel & Tube Corporation**

\*\*\*

**Commercial Metals Co.**

\*\*\*

**Connectors, Inc.**

\*\*\*

**Duferco Steel, Inc.**

\*\*\*

**Man Ferrostaal, Inc.**

\*\*\*



**Norco Industrial, Co.**

\*\*\*

**Sumitomo Corporation of America**

\*\*\*

**Tenaris**

\*\*\*

**TPCO Enterprises, Inc.**

\*\*\*

**V&M Tubes Corp.**

\*\*\*

**Voest Alpine Tubular, Corp.**

\*\*\*

**U.S. PURCHASERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND THE  
LIKELY EFFECTS OF REVOCATION**

Purchasers were asked to identify the likely effects of any revocation of the antidumping duty order for imports of seamless carbon and alloy steel SLP pipe from Argentina, Brazil, or Germany; and to discuss any potential effects of revocation of the antidumping duty order on (1) the future activities of your firm and (2) the U.S. market as a whole. (Question III-34). Their responses were as follows:

\* \* \* \* \*

**FOREIGN PRODUCERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND  
THE LIKELY EFFECTS OF REVOCATION**

Foreign producers were asked whether they anticipated any changes in the character of their operations or organization relating to the production of seamless SLP pipe in the future if the antidumping orders were to be revoked. (Question II-3) Their responses were as follows:

**Benteler**

\*\*\*

**Rohrwer**

\*\*\*

**Siderca**

\*\*\*

**V&M Brazil**

\*\*\*

**VMD**

\*\*\*

---

Foreign producers were asked whether they anticipated any changes in their production capacity, production, home market shipments, exports to the United States and other markets, or inventories relating to the production of seamless SLP pipe in the future if the antidumping orders were to be revoked. (Question II-15) Their responses were as follows:

**Benteler**

\*\*\*

**Rohrwerk**

\*\*\*

**Siderca**

\*\*\*

**V&M Brazil**

\*\*\*

**VMD**

\*\*\*

---

Foreign producers were asked to describe the significance of the existing antidumping orders covering imports of seamless SLP pipe from Argentina, Brazil, and Germany in terms of their effects on their production capacity, production, home market shipments, exports to the United States and other markets, or inventories. (Question II-14) Their responses were as follows:

**Benteler**

\*\*\*

**Rohrwerk**

\*\*\*

**Siderca**

\*\*\*

**V&M Brazil**

\*\*\*

**VMD**

\*\*\*



**APPENDIX E**

**FAX MEMORANDUM FROM COMMERCE ON SCOPE LANGUAGE  
CORRECTION FOR THE FINAL RESULTS OF EXPEDITED FIVE-YEAR  
REVIEWS OF THE ANTIDUMPING DUTY ORDERS ON SEAMLESS PIPE  
FROM ARGENTINA, BRAZIL, AND GERMANY**



United States Department of Commerce  
International Trade Administration  
Import Administration



AD/CVD Operations, Office 7

**FAXED TO:**

Alan Treat

**FAX PHONE:**

(202) 205-1888 205-2217

**DEPT./AGENCY/COMPANY:**

UNITED STATES INTERNATIONAL TRADE  
COMMISSION

**FAXED FROM:**

Dena Crossland

**CONTACT PHONE:**

(202) 482-3362

**NUMBER OF PAGES:**

3 (including cover)

**MESSAGE:**

For your records.





UNITED STATES DEPARTMENT OF COMMERCE  
International Trade Administration  
Washington, D.C. 20230

A-357-809  
A-351-826  
A-428-820  
Sunset Reviews  
Public Document  
AD/CVD Operations, 7: DC

DATE: December 11, 2006

MEMORANDUM TO: The File

THROUGH: Richard O. Weible  
Director  
AD/CVD Operations, Office 7 

FROM: Dena Crossland   
Case Analyst

SUBJECT: Scope Language Correction for the Final Results of Expedited Five-Year ("Sunset") Reviews of the Antidumping Duty Orders on Seamless Line and Pressure Pipe ("Seamless Pipe") from Argentina, Brazil, and Germany

On December 8, 2006, Alan Treat, of the United States International Trade Commission, called Dena Crossland, of the U.S. Department of Commerce, regarding the sunset reviews of the antidumping duty orders on seamless pipe from Argentina, Brazil, and Germany. Mr. Treat informed Ms. Crossland that the scope language in the recently published sunset review notice (see 71 FR 59079, dated October 6, 2006) differed from the scope language in the 2001 continuation orders for seamless pipe from Argentina, Brazil, and Germany (see 66 FR 37004, dated July 16, 2001). Specifically, Mr. Treat stated that redraw hollows were included in the scope language for the sunset review notice, and had been excluded from the scope language in the continuation orders. Additionally, Mr. Treat pointed out that the Harmonized Tariff Schedule of the United States ("HTSUS") subheading 7304.31.30.00 was included in the scope language for the sunset review notice.

Ms. Crossland called Mr. Treat and explained that the scope language for the antidumping duty order on seamless pipe from Romania (see 69 FR 54119, dated September 7, 2004) was inadvertently included in the sunset review notice for seamless pipe from Argentina, Brazil, and Germany. Ms. Crossland stated that redraw hollows and HTSUS 7304.31.30.00 are not included in the current scope language of the orders.

Ms. Crossland stated that she would inform the parties about this discrepancy. Attached is a revised import volumes spreadsheet, with HTSUS 7304.31.30.00 removed from the group of HTSUS subheadings for seamless pipe from Argentina, Brazil, and Germany.





**Expedited Sunset Reviews of Seamless Line and Pressure Pipe from  
Argentina (A-357-809), Brazil (A-351-826), and Germany (A-428-820)**

**United States Import Volumes  
(Converted from Kilograms to Short Tons)**

1993	27,319	23,988	27,929
1994	31,527	8,189	36,395
1995	1,845	1,666	20,419
1996	4,096	6,160	10,390
1997	5,173	5,537	15,724
1998	9,801	4,400	25,465
1999	4,537	2,192	18,450
2000	4,644	6,622	25,058
2001	5,097	42	20,384
2002	3,900	640	17,735
2003	5,637	3,960	23,930
2004	9,092	9,682	27,105
2005	4,860	2,083	28,393

Source: International Trade Commission Databank

Based on HTSUS numbers 7304.10.10.20, 7304.10.50.20, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25.

