

DEPARTMENT OF COMMERCE

International Trade Administration

A-570-932

Steel Threaded Rod from the People's Republic of China: Initiation of Antidumping Duty Investigation

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

EFFECTIVE DATE: (Insert date of publication in the *Federal Register*.)

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INITIATION OF INVESTIGATION:

The Petition

On March 5, 2008, the Department of Commerce ("Department") received a petition concerning imports of steel threaded rod from the People's Republic of China ("PRC"), filed in proper form by Vulcan Threaded Products, Inc. ("Petitioner"). *See* Petition for the Imposition of Antidumping Duties on Certain Steel Threaded Rod from the People's Republic of China, filed March 5, 2008 ("Petition"). On March 7, and March 14, 2008, the Department issued requests for additional information and clarification of certain areas of the Petition. Based on the Department's requests, Petitioner filed additional information on March 12, 2008 ("Supplement to the Petition"), and on March 18, 2008 ("Second Supplement").

In accordance with section 732(b) of the Tariff Act of 1930, as amended (“Act”), Petitioner alleges that imports of steel threaded rod from the PRC are being, or are likely to be, sold in the United States at less than fair value (“LTFV”), within the meaning of section 731 of the Act, and that the domestic industry is materially injured or threatened with material injury by reason of such imports.

The Department finds that Petitioner may file this Petition on behalf of the domestic industry because Petitioner is an interested party as defined in section 771(9)(C) of the Act, and has demonstrated sufficient industry support with respect to the antidumping duty investigation. *See* “Determination of Industry Support for the Petition” section, *infra*.

Period of Investigation

The period of investigation (“POI”) is July 1, 2007, through December 31, 2007. *See* 19 C.F.R. 351.204(b)(1).

Scope of Investigation

The merchandise covered by this investigation is steel threaded rod. Steel threaded rod is certain threaded rod, bar, or studs, of carbon quality steel, having a solid, circular cross section, of any diameter, in any straight length, that have been forged, turned, cold-drawn, cold-rolled, machine straightened, or otherwise cold-finished, and into which threaded grooves have been applied. In addition, the steel threaded rod, bar, or studs subject to this investigation are non-headed and threaded along greater than 25 percent of their total length. A variety of finishes or coatings, such as plain oil finish as a temporary rust protectant, zinc coating (*i.e.*, galvanized, whether by electroplating or hot-dipping), paint, and other similar finishes and coatings, may be applied to the merchandise.

Included in the scope of this investigation are steel threaded rod, bar, or studs, in which:

(1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 1.80 percent of manganese, or
- 1.50 percent of silicon, or
- 1.00 percent of copper, or
- 0.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 1.25 percent of nickel, or
- 0.30 percent of tungsten, or
- 0.012 percent of boron, or
- 0.10 percent of molybdenum, or
- 0.10 percent of niobium, or
- 0.41 percent of titanium, or
- 0.15 percent of vanadium, or
- 0.15 percent of zirconium.

Steel threaded rod is currently classifiable under subheading 7318.15.5060 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise is dispositive.

Excluded from the scope of the investigation are: (a) threaded rod, bar, or studs which are threaded only on one or both ends and the threading covers 25 percent or less of the total length; and (b) threaded rod, bar, or studs made to American Society for Testing and Materials (“ASTM”) A193 Grade B7, ASTM A193 Grade B7M, ASTM A193 Grade B16, or ASTM A320 Grade L7.

Comments on Scope of Investigation

During review of the Petition, the Department discussed the scope with Petitioner to ensure that the scope is an accurate reflection of the products for which the domestic industry is seeking relief. In addition, as discussed in the preamble to the Department's regulations, the Department is setting aside a period of time for interested parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments to the Department by April 15, 2008. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, attention Juanita Chen, room 4003. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination.

Comments on Product Characteristics for Antidumping Duty Questionnaire

The Department is requesting comments from interested parties regarding the appropriate physical characteristics of steel threaded rod to be reported in response to the Department's antidumping questionnaire. This information will be used to identify the key physical characteristics of the subject merchandise in order for any respondents to report more accurately the relevant factors of production, as well as develop appropriate product reporting criteria, in accordance with the Department's non-market economy ("NME") methodology, as described in the "Normal Value" section, *infra*.

Interested parties may provide any information or comments that they believe are relevant to the development of an accurate listing of physical characteristics. Specifically, interested parties may provide comments as to which characteristics are appropriate to use as: 1) general product characteristics; and 2) product reporting criteria. The Department notes that it is not always appropriate to use all product characteristics as product reporting criteria. While there may be some physical product characteristics that manufacturers use to describe steel threaded rod, it may be that only a select few product characteristics take into account meaningful physical characteristics of steel threaded rod.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaire, the Department must receive non-proprietary comments at the above-referenced address by April 15, 2008, and receive rebuttal comments by April 25, 2008.

Determination of Industry Support for the Petition

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

Section 771(4)(A) of the Act defines the “industry” as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (“ITC”), which is responsible for determining whether “the domestic industry” has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department’s determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), *citing Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff’d* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

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

With regard to the domestic like product, Petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. Based on the Department’s analysis of the information submitted on the record, the Department has determined that steel threaded rod constitutes a single domestic like product and the Department has analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product

analysis in this case, *see* “Antidumping Duty Investigation Initiation Checklist: Steel Threaded Rod from the People’s Republic of China” (“Initiation Checklist”), at Attachment II (Industry Support), on file in the Central Records Unit, Room 1117 of the main Department of Commerce building.

The Department’s review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioner has established industry support. First, the Petition establishes support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* Section 732(c)(4)(D) of the Act. Second, the domestic producers have met the statutory criteria for industry support under 732(c)(4)(A)(i) because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. Finally, the domestic producers have met the statutory criteria for industry support under 732(c)(4)(A)(ii) because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See* Initiation Checklist, at Attachment II.

The Department finds that Petitioner filed the Petition on behalf of the domestic industry because it is an interested party as defined in section 771(9)(C) of the Act and it has demonstrated sufficient industry support with respect to the antidumping investigation that it is requesting the Department initiate. *See* Initiation Checklist, at Attachment II.

Allegations and Evidence of Material Retardation and of Material Injury and Causation

Petitioner alleges that the U.S. industry producing the domestic like product is being materially injured by reason of the imports of the subject merchandise sold at less than normal value (“NV”). Petitioner contends that the industry’s injured condition is illustrated by the reduced market share, reduced production, and capacity utilization, reduced shipments, increased inventory, underselling and price depressing and suppressing effects, lost revenue and sales, reduced employment, a decline in financial performance, and an increase in import penetration. The Department has assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and the Department determines that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* Initiation Checklist, at Attachment III.

Allegation of Sales at Less Than Fair Value

The following is a description of the allegation of sales at LTFV upon which the Department based its decision to initiate this investigation of imports of steel threaded rod from the PRC. The sources of data for the deductions and adjustments relating to the U.S. price and the factors of production are also discussed in the checklist. *See* Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in the preliminary or final determinations, the Department will reexamine the information and revise the margin calculations, if appropriate.

Export Price

Petitioner relied on 24 price quotes on three steel threaded rod products from the PRC offered for sale to the U.S. customer during the POI. *See* Petition, at 30 and Exhibits 22 and 23; Supplement to the Petition, at Exhibit G; Second Supplement at Exhibit C. Petitioner deducted

from the prices the costs associated with exporting and delivering the product, including ocean freight, U.S. inland freight costs, and distributor markup. *See* Initiation Checklist. Petitioner also deducted discounts, when applicable. *See* Initiation Checklist. Petitioner calculated the freight charges and distributor mark-up based on its own industry knowledge and experience. *See* Petition, at Exhibits 22; Supplement to the Petition, at Exhibit G; Second Supplement, at Exhibit C.

Normal Value

Petitioner notes that the Department's long-standing treatment of the PRC as an NME country remains in effect until revoked by the Department, and notes that no such revocation determination has been made to date. *See* Petition, at 27. The Department has previously examined the PRC's market status and determined that NME status should continue for the PRC. *See* Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, regarding The People's Republic of China Status as a Non-Market Economy, dated May 15, 2006 (available online at <http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf>). In addition, in recent investigations, the Department has continued to determine that the PRC is an NME country. *See Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007); *Final Determination of Sales at Less Than Fair Value: Certain Activated Carbon from the People's Republic of China*, 72 FR 9508 (March 2, 2007).

In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the

initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioner argues that India is the appropriate surrogate country for the PRC, because it is a market-economy country at a comparable level of economic development, its surrogate data is available and reliable, and it is a significant producer of steel threaded rod. *See* Petition, at 27-28. Petitioner asserts that other potential surrogate countries are not known manufacturers of steel threaded rod. *See* Petition, at 28; Initiation Checklist. Based on the information provided by Petitioner, the Department believes that the use of India as a surrogate country is appropriate for purposes of initiation. However, after initiation of the investigation, interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 C.F.R. 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

Petitioner calculated NVs and dumping margins for each of the U.S. prices, discussed above, using the Department's NME methodology as required by 19 C.F.R. 351.202(b)(7)(i)(C) and 19 C.F.R. 351.408. Petitioner calculated NVs based on its own consumption rates for producing steel threaded rod in 2007. *See* Initiation Checklist. Petitioner states that its production experience is representative of the production process used in the PRC because all of the material inputs and processing must be virtually identical, and are unlikely to be materially different for a Chinese producer of steel threaded rod. *See* Supplement to the Petition, at 9.

Petitioner valued the factors of production on reasonably available, public surrogate country data, including India statistics from the World Trade Atlas, public information from the website of the Joint Plant Committee, an Indian institution that collects data on the Indian iron and steel industry, and Key World Energy Statistics 2003, published by the International Energy Agency, as adjusted and used by the Department in the twelfth administrative review of fresh garlic from the PRC. *See* Initiation Checklist. Where Petitioner was unable to find input prices contemporaneous with the POI, Petitioner adjusted for inflation using the wholesale price index for India, as published in “International Financial Statistics” by the International Monetary Fund. *See* Petition, at 29 and Exhibit 20. For purposes of initiation, the Department determines that the surrogate values used by Petitioner are reasonably available and, thus, acceptable for purposes of initiation.

Petitioner based factory overhead expenses, selling, general and administrative expenses, and profit, on data from Lakshmi Precision Screws Limited (“Lakshmi”), an Indian manufacturer of fasteners, for the fiscal year ending March 31, 2007. *See* Petition, at Exhibit 21. The Department has previously relied on Lakshmi’s data for other antidumping investigation initiations and finds Petitioner’s use of Lakshmi’s financial ratios appropriate for purposes of initiation. *See* Initiation Checklist; *see also* Steel Wire Garment Hangers from the PRC: AD Investigation Initiation Checklist (September 10, 2007); and Steel Nails from the PRC: AD Investigation Initiation Checklist (July 9, 2007). However, the Department has made minor modifications, as appropriate, to the surrogate financial ratios as calculated by Petitioner. *See* Initiation Checklist, at Attachment V.

Fair Value Comparisons

Based on the data provided by Petitioner, as adjusted by the Department, there is reason to believe that imports of steel threaded rod from the PRC are being, or are likely to be, sold in the United States at LTFV. Based on comparisons of export price to NV, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for steel threaded rod range from 36.17 percent to 659.26 percent. *See* Initiation Checklist, at Attachment V.

Initiation of Antidumping Investigations

Based upon the examination of the Petition on steel threaded rod from the PRC, the Department finds that the Petition meets the requirements of section 732 of the Act. Therefore, the Department is initiating an antidumping duty investigation to determine whether imports of steel threaded rod from the PRC are being, or are likely to be, sold in the United States at LTFV. In accordance with section 733(b)(1)(A) of the Act, unless postponed, the Department will make its preliminary determination no later than 140 days after the date of this initiation.

Separate Rates

In order to obtain separate-rate status in NME investigations, exporters and producers must submit a separate-rate status application. *See* Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (April 5, 2005) (“Separate Rates/Combination Rates Bulletin”), available on the Department’s website at <http://ia.ita.doc.gov/policy/bull05-1.pdf>. The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, available on the Department’s website at <http://ia.ita.doc.gov/ia-highlights-and-news.html> on the date of publication of this initiation notice in the *Federal Register*. The separate rate-application will be due on June 2, 2008.

NME Respondent Selection and Quantity and Value Questionnaire

The Department will request quantity and value information from all known exporters and producers identified in the Petition and Supplement to the Petition. The quantity and value data received from NME exporters/producers will be used as the basis to select the mandatory respondents.

The Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rate application by the respective deadlines in order to receive consideration for separate-rate status. *See Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 73 FR 10221, 10225 (February 26, 2008); and *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005).

Appendix I of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters/producers no later than April 22, 2008. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the Import Administration website, at <http://ia.ita.doc.gov/ia-highlights-and-news.html>. The Department will send the quantity and value questionnaire to those PRC companies identified in the Petition, at Exhibit 6, and in the Supplement to the Petition, at Exhibit B.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The Separate Rates/Combination Rates Bulletin states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of

investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of “combination rates” because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.

See Separate Rates/Combination Rates Bulletin, at 6.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act and 19 C.F.R. 351.202(f), copies of the public version of the Petition have been provided to the representatives of the Government of the PRC. Because of the particularly large number of exporters and producers identified in the Petition, the Department considers the service of the public version of the Petition to the foreign exporters/producers satisfied by the delivery of a public version to the Government of the PRC, consistent with 19 C.F.R. 351.203(c)(2).

U.S. International Trade Commission Notification

The Department has notified the ITC of its initiation, as required by section 732(d) of the Act.

Preliminary Determination by the International Trade Commission

The ITC will preliminarily determine, no later than April 21, 2008, whether there is a reasonable indication that the U.S. industry is materially injured or threatened with material injury by imports of steel threaded rod from the PRC. A negative ITC determination with respect to the investigation will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

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

David M. Spooner
Assistant Secretary
for Import Administration

Date

Appendix I

Where it is not practicable to examine all known exporters/producers of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930, as amended, permits us to investigate 1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or 2) exporters and producers accounting for the largest volume and value of the subject merchandise that can reasonably be examined.

In the chart below, please provide the total quantity and total value of all your sales of merchandise covered by the scope of this investigation (*see* “Scope of Investigation” section of this notice), produced in the PRC, and exported/shipped to the United States during the period July 1, 2007, through December 31, 2007.

Market	Total Quantity in Pieces	Terms of Sale	Total Value
United States			
1. Export Price Sales			
2. a. Exporter Name b. Address c. Contact d. Phone No. e. Fax No.			
3. Constructed Export Price Sales			
4. Further Manufactured			
Total Sales			

Total Quantity:

- Please report quantity on a metric ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

- Please report all sales on the same terms (*e.g.*, free on board at port of export).

Total Value:

- All sales values should be reported in U.S. dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

- Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated customer occurs before importation into the United States.
- Please include any sales exported by your company directly to the United States.

- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please **do not** include any sales of subject merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

- Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated customer occurs after importation. However, if the first sale to the unaffiliated customer is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.
- Please include any sales exported by your company directly to the United States;
- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please **do not** include any sales of subject merchandise manufactured in Hong Kong in your figures.

Further Manufactured:

- Sales of further manufactured or assembled (including re-packaged) merchandise is merchandise that undergoes further manufacture or assembly in the United States before being sold to the first unaffiliated customer.
- Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.