Circular Welded Non-alloy Steel Pipe From China

Investigation No. TA-421-6

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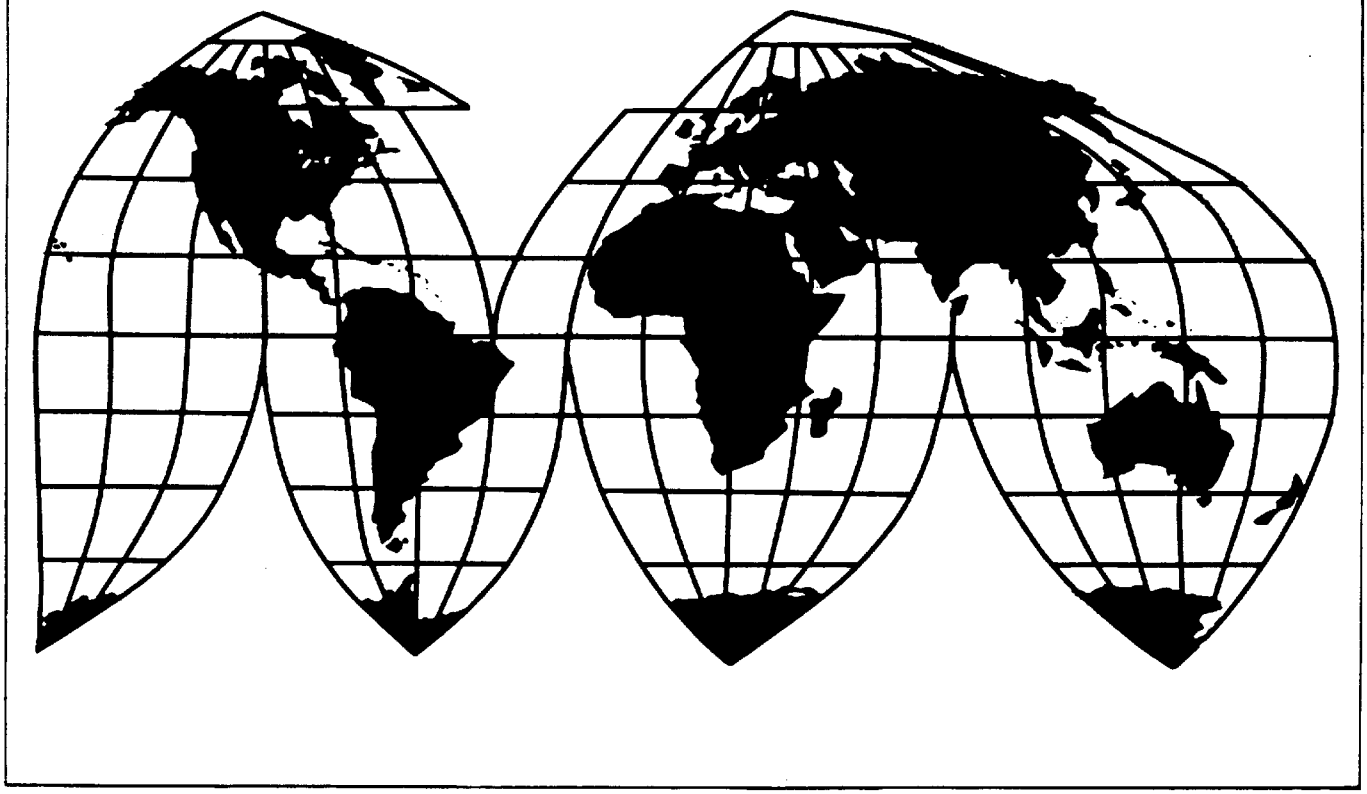
U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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 No. TA-421-6

CIRCULAR WELDED NON-ALLOY STEEL PIPE FROM CHINA

DETERMINATION

On the basis of information developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 421(b)(1) of the Trade Act of 1974,[1] that circular welded non-alloy steel pipe[2] from the People's Republic of China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.[3]
(70 FR 58746, October 7, 2005).

RECOMMENDATIONS ON PROPOSED REMEDIES

Chairman Stephen Koplan and Commissioner Charlotte R. Lane propose that the President impose an annual quota of 160,000 short tons on imports of circular welded non-alloy steel pipe from China for a three-year period. They further recommend that, if applications are filed, the President direct

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[1] 19 U.S.C. § 2451(b)(1).

[2] The products subject to this investigation include certain welded carbon quality steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.

All pipe meeting the physical description set forth above that is used in, or intended for use in, standard and structural pipe applications is covered by the scope of this investigation. Standard pipe 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 sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, such as conduit shells. Structural pipe is used in construction applications.

Products not included in this investigation are mechanical tubing (whether or not cold-drawn) provided for in HTS subheading 7306.30.50, tube and pipe hollows for redrawing provided for in HTS 7306.30.5035, or finished electrical conduit provided for in HTS 7306.30.5028. API line pipe used in oil or gas applications requiring API certifications is also not included in this investigation. Similarly, pipe produced to the API specifications for oil country tubular goods use are not included in this investigation.

The subject imported products are currently provided for in the Harmonized Tariff Schedule of the United States (HTS) subheadings 7306.30.10 and 7306.30.50. Specifically, the various HTS statistical reporting numbers under which the subject standard pipe has been provided for since January 1, 1992, are as follows: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTS category is provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Pipe multiple-stenciled to the ASTM A-53 specification and to any other specification, such as the API-fL or 5L X-42 specifications, or single-certified pipe that enters under HTS subheading 7306.10.10, is covered by this investigation when used in, or intended for use in, one of the standard pipe applications listed above, regardless of the HTS category in which it is entered. Pipe shells that enter the United States under HTS subheading 7306.30.50, including HTS statistical reporting number 7306.30.5028, are also covered by this investigation. The investigation also covers pipe used for the production of scaffolding (but does not include finished scaffolding).

[3] Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson make a negative determination.

the U.S. Department of Commerce and the U.S. Department of Labor to provide expedited consideration of trade adjustment assistance for firms and/or workers affected by the subject imports.

Commissioner Jennifer A. Hillman and Commissioner Shara L. Aranoff propose that the President impose a tariff-rate quota for a period of three years on imports of circular welded non-alloy steel pipe from China as follows: 267,468 short tons in the first year of relief, 280,841 short tons in the second year, and 308,925 short tons in the third year, with subject pipe entered within the quota subject to the current rate of duty of "Free," and over-quota imports subject to a duty of 25 percent *ad valorem*. They further recommend that, if applications are filed, the President direct the U.S. Department of Commerce and the U.S. Department of Labor to provide expedited consideration of any petitions for trade adjustment assistance filed by firms or workers affected by the subject imports.

BACKGROUND

Following receipt of a petition, on August 2, 2005, on behalf of Allied Tube and Conduit Corp., Harvey, IL; IPSCO Tubulars, Inc., Camanche, IA; Maruichi American Corp., Santa Fe Springs, CA; Maverick Tube Corp., Chesterfield, MO; Sharon Tube Co., Sharon, PA; Western Tube Conduit Corp., Long Beach, CA; Wheatland Tube Co., Wheatland, PA.; and the United Steelworkers of America, AFL-CIO, Pittsburgh, PA; the Commission instituted investigation No. TA-421-06, Circular Welded Non-Alloy Steel Pipe from China, under section 421(b) of the Act to determine whether circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

Notice of the institution of the Commission's investigation and of the scheduling of a public hearing to be held in connection therewith was given by posting a copy of the notice on the Commission's website (*www.usitc.gov*) and by publishing the notice in the *Federal Register* of August 10, 2005 (70 FR 46543). The hearing was held on September 16, 2005 in Washington, DC; all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

VIEWS ON MARKET DISRUPTION

I. Determination

Pursuant to section 421(b)(1) of the Trade Act of 1974[1] and on the basis of the information obtained in this investigation, the Commission determines that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause[2] or threaten to cause[3] market disruption to the domestic producers of circular welded non-alloy steel pipe.[4]

II. Summary

The petition in this investigation was filed on August 2, 2005, by seven domestic producers of circular welded non-alloy steel pipe and the United Steelworkers of America.[5] In addition to the seven petitioning firms, the domestic industry also is composed of nine other responding domestic producers.[6] The responding parties to the investigation are the China Chamber of Commerce of Metals, Minerals, and Chemicals Importers & Exporters, and MAN Ferrostaal Inc., an importer of circular welded non-alloy steel pipe.[7]

The domestic like product is circular welded non-alloy steel pipe. Circular welded non-alloy steel pipe is generally known as standard pipe and structural pipe. Standard pipe is used in the low-pressure conveyance of liquids and gases in plumbing and heating systems, and may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, as a conduit shell. Structural pipe is used in construction applications. The Chinese and domestic circular welded non-alloy steel pipe can be used interchangeably.

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[1] 19 U.S.C. § 2451(b)(1).

[2] Chairman Steven Koplan and Commissioner Charlotte R. Lane determine that the subject imports are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of circular welded non-alloy steel pipe.

[3] Commissioners Jennifer A. Hillman and Shara L. Aranoff determine that the subject imports are being imported into the United States in such increased quantities or under such conditions as to threaten to cause market disruption to the domestic producers of circular welded non-alloy steel pipe.

[4] Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson dissent and make a negative determination. They join sections III (Background and Scope of Investigation), IV (Statutory Framework), and V (Domestic Industry). *See* Separate and Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson.

[5] Allied Tube and Conduit Corp., IPSCO Tubulars, Inc., Maruichi American Corp., Sharon Tube Co., Western Tube & Conduit Corp., and Wheatland Tube Co. Confidential Staff Report ("CR") and Public Staff Report ("PR"), Table I-6.

[6] They include American Steel Pipe, Bull Moose Tube Co., California Steel Industries, Inc., Leavitt Tube Co., Lone Star Steel, Northwest Pipe Co., Stupp Corp., Tex Tube, and U.S. Steel. CR and PR, Table I-6.

[7] *See*, e.g., respondents' respective pre-hearing briefs.

A. Views of Chairman Koplan and Commissioner Lane

Chairman Koplan and Commissioner Lane determine that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of the like product. In making this determination, they examined the increase and rate of increase in subject imports. The data show that imports of circular welded non-alloy steel pipe from China have increased rapidly in the most recent year, as well as over the longer period of 2 to 3 years.

Having found that imports are increasing rapidly, they examined the condition of the domestic industry producing circular welded non-alloy steel pipe and found that it is materially injured. They found that most industry indicators, after having been relatively stable during most of the period examined, fell sharply beginning in the second half of 2004, with the decline continuing through the first half of 2005. In particular, U.S. producers' shipments, U.S. producers' net sales, capacity utilization, employment, hours worked, wages paid, productivity, domestic producers' market share, and industry financial performance all declined sharply.

They found that the rapidly increasing subject imports are a significant cause of the material injury to the domestic industry. In reaching this conclusion, they examined evidence on the record with respect to the volume of imports, the price effects of the subject imports, evidence relating to the impact of subject imports on the domestic industry, and arguments of the parties. Based on the record, they found that there is a direct and significant connection between the rapidly increasing imports of subject pipe, the recent suppression and decline in domestic prices of subject pipe, and the material injury to the domestic industry. Moreover, they found that there are no factors other than the rapid increase of imports from China that explain the recent and sharp decline in economic indicators for the domestic industry.

To remedy such market disruption, they propose that the President impose an annual quota of 160,000 short tons for a period of three years on imports of the subject pipe.

B. Views of Commissioners Hillman and Aranoff

Commissioners Hillman and Aranoff determined that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to threaten to cause market disruption to the domestic producers. In making this determination, they first examined the increase and rate of increase in subject imports. Having found that imports are increasing rapidly, they determined that such imports are a significant cause of the threat of market disruption to the domestic industry. Based on the evidence in the record, they concluded that, while the domestic industry is not currently experiencing market disruption, the condition of the domestic industry is weakening, and market disruption is imminent. Beginning in the second half of 2004 and into 2005, the domestic industry experienced declining production, shipments, market share, and employment. At the same time, imports from China captured a greater share of the U.S. market, displacing U.S. producers in the process. As the domestic industry's costs rose, particularly for raw materials and energy, they were not able to pass through these increased costs through higher prices.

Although the domestic industry remained profitable throughout the investigation period, largely owing to their ability to raise prices faster than the increases in costs, a cost-price squeeze began in the first half of 2005, reflected by a drop in profitability. In light of these declining trends, they do not believe that the domestic industry's current condition is sustainable. It is evident from the data that the domestic industry's relatively healthy performance was maintained at the expense of its market share, as U.S. consumers switched to lower-priced imports. They do not believe that the domestic industry will be able to continue raising prices, or even maintain prices at current levels, without sacrificing even more market share to Chinese imports. Therefore, they find that rapidly increasing imports will lead to market disruption for the domestic industry in the imminent future.

III. Background and scope of investigation

The imported circular welded non-alloy steel pipe from China that is the subject of this investigation consists of the following:

> certain welded carbon quality steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.[8]

Standard pipe is the primary product within the scope of investigation; however, the scope also includes structural pipe and piling pipe. Standard pipe is used primarily in the low-pressure conveyance of liquids and gases, such as in plumbing, HVAC, and building mechanical systems, and in sprinkler systems; standard pipe also is used in light load-bearing and mechanical applications, such as fencing, in structural applications in general construction, and as conduit shells for the protection of electrical wiring.[9] Structural pipe generally is used for structural or load-bearing purposes above ground by the construction industry as well as for structural members in ships, trailers, and farm equipment, while piling pipe generally is used below ground in foundation work for buildings, piers, docks, highways, and bridges.[10] Most domestic and imported circular welded non-alloy steel pipe is made to American Society for Testing and Materials (ASTM) standards.[11] Overall demand for circular welded non-alloy steel pipe is tied to demand for downstream products such as plumbing systems and fencing that use pipe products, and demand tends to follow general economic activity in the U.S. economy.[12]

The Commission received information from 18 firms, which accounted for the vast majority of domestic production of circular welded non-alloy steel pipe,[13] two of which ceased operations in 2001.[14] Most of these firms also reported that they produce other pipe products such as OCTG, line pipe, larger-diameter standard and structural pipe, and other pipe, on the same machinery and equipment used to product the subject pipe; their product mix reportedly is determined by market demand.[15]

The Commission obtained data from 20 Chinese respondent firms that produce circular welded non-alloy steel pipe. These firms account for the vast majority of production of circular welded non-alloy

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[8] See full description at CR at I-7-8; PR at I-6.

[9] CR at I-8-9, I-11; PR at I-7-8.

[10] CR at I-10-11; PR at I-8.

[11] CR at I-9; PR at I-7.

[12] CR at V-7; PR at V-5.

[13] CR at III-1; PR at III-1.

[14] CR at III-10; PR at III-7. Laclede Steel closed its East Alton, IL, weld mill in 2000 and its remaining mill in Fairless Hills, PA, in 2001, when it announced it was liquidating (CR at III-10, and Inv. No. TA-201-73, *Steel*, USITC Pub. 3479, Dec. 2001, at 161); and Newport Steel Corp., Newport, KY, ceased operations in 2001 (CR at III-10; PR at III-7).

[15] CR at III-1, III-3; PR at III-1.

steel pipe in China that was exported to the United States during the period examined.[16] Their share of total production in China is not known.

IV. Statutory framework[17]

The determination that the Commission must make is set out in section 421(b)(1)[18] of the Trade Act, which states in part that the Commission, upon the filing of a petition or receipt of a request or resolution, shall promptly conduct an investigation –

> to determine whether products of the People's Republic of China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

This standard is satisfied if the following conditions are met –

(1) there is market disruption or the threat of market disruption to domestic producers of the like or directly competitive products; and

(2) imports from China are in such increased quantities or under such conditions as to cause or threaten to cause such market disruption.

The term "market disruption" is defined in section 421(c)(1)[19] to exist –

> whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.

Thus, in order to determine that market disruption exists, we must find that the following conditions are satisfied –

(1) imports of the subject product from China are increasing rapidly, either absolutely or relatively;

(2) the domestic industry is materially injured, or threatened with material injury; and

(3) such rapidly increasing imports are a significant cause of the material injury or the threat of material injury.

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[16] CR at IV-1; PR at IV-1; CR and PR, Table IV-1. Petitioners estimate that the data coverage for foreign producers in China accounted for 75 percent of total subject operations, while CCCMC asserts that coverage is better than 90 percent. CR at III-1, n. 3; PR at III-1, n. 3.

[17] Commissioners Hillman and Aranoff join this discussion of the statutory framework only to the extent that it quotes directly from the statute. Their detailed views on the legal framework for their determination follow.

[18] 19 U.S.C. § 2451(b)(1).

[19] 19 U.S.C. § 2451(c)(1).

Section 421(d)[20] provides that the Commission, in determining whether market disruption exists, shall consider objective factors, including –

(1) the volume of imports of the product which is the subject of the investigation;

(2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and

(3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.

Section 421(d) further provides that the presence or absence of any of these three factors "is not necessarily dispositive of whether market disruption exists."

V. Domestic industry

Section 421(c) defines the domestic industry in terms of the producers of "like or directly competitive" products. In making its determination under section 421(c), the Commission follows a two-step process of first determining what constitutes the product like or directly competitive with the imports subject to the investigation, and then identifying who produces it (the domestic industry).[21]

A. Like or directly competitive domestic article

(1) The statutory framework and Commission practice

When assessing what constitutes the like or directly competitive product, the Commission applies the definitions of "like or directly competitive" in the legislative history of what is now section 202 of the Trade Act[22] and considers such factors as (1) the physical properties of the article, (2) its customs treatment, (3) its manufacturing process (i.e., where and how it is made), (4) its uses, and (5) the marketing channels through which the product is sold.[23] If the Commission finds that there is domestic production of a like product, it has not found it necessary to look further and determine whether there is also domestic production of directly competitive products.[24] The Commission considers the decision regarding the like or directly competitive product to be a factual determination.[25]

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[20] 19 U.S.C. § 2451(d).

[21] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 7.

[22] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 7.

[23] *See e.g., Certain Ductile Iron Waterworks Fittings from China*, Inv. No. TA-421-4 (Critical Circumstances Phase), USITC Pub. 3642 (October 2003) at 5.

[24] *See e.g., Certain Ductile Iron Waterworks Fittings from China*, Inv. No. TA-421-4 (Critical Circumstances Phase), USITC Pub. 3642 (October 2003) at 5.

[25] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 8.

Once the Commission has identified the like or directly competitive goods, it then determines whether there are clear dividing lines between the domestic goods, and thus whether there are one or several domestic products like (or directly competitive with) the imported goods.[26]

(2) Arguments of the parties

Petitioners and respondents generally agree on the definition of the like or directly competitive product.

Petitioners assert that domestic circular welded non-alloy steel pipe is like the subject imports and that there is one "like" domestic product, circular welded non-alloy steel pipe.[27] Petitioners assert that the domestic like product is coextensive with the scope of the investigation.[28]

Respondents did not directly challenge petitioners' argument that domestic circular welded non-alloy steel pipe is like the subject imports and that there is one "like" domestic product, circular welded non-alloy steel pipe. The Chinese respondents agreed with the definition of domestic like product proposed by petitioners, stating, "consistent with the definition in prior investigations, we believe that the like product should be coextensive with the definition of the subject imports."[29] However, the Chinese respondents indirectly challenged petitioners' like product claim by asserting in their pre-hearing brief that imported and domestic pipe is primarily of two different grades (that most of the imported Chinese product is lower quality Grade A pipe while most of the domestic product is higher quality Grade B pipe) and that the two grades of pipe are substitutable only in lower quality applications. [30]

(3) Analysis

After considering the factors the Commission traditionally applies (i.e., physical properties, customs treatment, production processes and facilities, uses, and marketing channels), including additional information and arguments with respect to these factors, we find that domestically produced circular welded non-alloy steel pipe are like the imported circular welded non-alloy steel pipe from China described in the Notice of Investigation. We also find that the various types and sizes of domestic circular welded non-alloy steel pipe are part of a continuum, with no clear dividing line between them.

We begin our analysis by examining the imported product. Our Notice of Investigation describes the imported product as follows:

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[26] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 8.

[27] Hearing tr. at 217-18 (Mr. Schagrin).

[28] Petition at 7-8.

[29] Chinese respondents' pre-hearing brief at 5.

[30] Chinese respondents asserted that virtually all of the imports from China are lower quality Grade A product, while most domestic shipments are Grade B, and that the two grades are substitutable only in lower quality applications such as fence posts. Chinese respondents' pre-hearing brief at 26-27. In their post-hearing brief, petitioners countered that Grade A and Grade B standard pipe "are perfectly interchangeable" in 95 percent of market applications, and that the higher quality weld in Grade B pipe is important only in load-bearing construction applications. Hearing tr. at 255-56 (Mr. Schagrin). Petitioners also asserted that Grade B products account for virtually the same proportion of subject imports (*** percent in the first half of 2005) as of domestic production (about one third of all shipments). Petitioners' post-hearing brief at 15.

certain welded carbon quality[31] steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.

All pipe meeting the physical description set forth above that is used in, or intended for use in, standard and structural pipe applications is covered by the scope of this investigation. Standard pipe 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 sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, such as conduit shells. Structural pipe is used in construction applications.

The imported products are currently provided for in the Harmonized Tariff Schedule of the United States (HTS) subheadings 7306.30.10 and 7306.30.50. Specifically, the various HTS statistical reporting numbers under which the subject standard pipe has been provided for since January 1, 1992, are as follows: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTS category is provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Pipe multiple-stenciled to the ASTM A-53 specification and to any other specification, such as the API-5L or 5L X-42 specifications, or single-certified pipe that enters under HTS subheading 7306.10.10, is covered by this investigation when used in, or intended for use in, one of the standard pipe applications listed above, regardless of the HTS category in which it is entered. Pipe shells that enter the United States under HTS subheading 7306.30.50, including HTS statistical reporting number 7306.30.5028, are also covered by this investigation. The investigation also covers pipe used for the production of scaffolding (but does not include finished scaffolding).[32]

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[31] "Carbon quality" is a term not used or defined in the HTS but defined by petitioners as follows: products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, of 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 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium. According to the petitioners, the description of carbon quality is intended to identify typical products within the scope; products should not be excluded from the scope simply because they do not strictly conform to the description of carbon quality. E-mail from Roger Schagrin, counsel to petitioners, August 24, 2005.

[32] 70 F.R. 46543 (Aug. 10, 2005). Not included in the investigation are mechanical tubing (whether or not cold-drawn) provided for in HTS subheading 7306.30.50, tube and pipe hollows for redrawing provided for in HTS 7306.30.5035, or finished electrical conduit provided for in HTS 7306.30.5028. API line pipe used in oil or gas applications requiring API certifications is also not included in this investigation. Similarly, pipe produced to the API specifications for oil country tubular goods use are not included in this investigation.

Physical properties. The evidence indicates that the physical properties of the domestic circular welded non-alloy steel pipe and the subject imports are substantially identical. Most domestic and imported circular welded non-alloy steel pipe is made to the same ASTM standards,[33] and the majority of U.S. producers (14 of 14), importers (13 of 15), and purchasers (10 of 11) responding to Commission questionnaires report that the domestic and imported products are used interchangeably in end uses.[34] The evidence shows that both domestic producers and importers ship a full range of sizes[35] and types of welded non-alloy steel pipe products.[36]

Customs treatment. Both domestic and imported circular welded non-alloy steel pipe are classified within the same HTS subheadings, 7306.30.10 and 7306.30.50, and have a general rate of duty of "free."[37]

Manufacturing process. The evidence indicates that the domestic product and the subject imports are both manufactured through the same processes. Both the domestic and imported product are made from steel sheet, which is formed into a tubular shape by passing through rollers and then welded, either through the electric resistance-welding (ERW) process or the continuous-welding (CW) process.[38] [39]

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[33] CR at I-9; PR at I-7.

[34] CR at V-16; PR at V-11. However, almost half of responding purchasers stated that the quality of the U.S. produced product is superior to that of the Chinese product. CR at V-18; PR at V-12.

[35] CR at I-21-25; PR at I-15-19, describing pipe produced and shipped by U.S. producers; and CR at IV-1-4; PR at IV -1-2, showing the range of pipe sizes produced by responding Chinese producers and shipments by those firms. However, one purchaser reported that small diameter pipe (below 1/2 inch) generally is available only domestically. CR at V-11; PR at V-8.

[36] For example, domestic producers and importers ship large quantities of both black pipe and corrosion-resistant (mainly galvanized) pipe, although the majority of U.S. producers' U.S. shipments are black pipe during the period examined, and the majority of U.S. shipments of imports from China are corrosion-resistant pipe. CR and PR, Table I-2. The evidence also shows that domestic producers and importers both ship significant quantities of Grade A and Grade B pipe, although in different proportions. The data show that 40.4 percent Chinese shipments marked by grade in the first half of 2005 were marked as Grade B, while 79.5 percent of U.S. producer shipments marked by grade were marked as Grade B. Chinese respondents' post-hearing brief, response to Commissioner Aranoff's first question. These proportions, however, may overstate the importance of grade. Petitioners estimate that about half of the subject standard pipe is not produced to any ASTM A-53 application at all, and that in fence and sprinkler applications, non ASTM A-53 product, A-53 Grade A product, and A-53 Grade B product are all completely interchangeable. Petitioners' post-hearing brief at A-45. However, the evidence shows that domestic producers reported small U.S. shipments of pipe that is manufactured to meet both ASTM specifications for standard pipe and API specifications for line pipe, but Chinese importers did not report any U.S. shipments of such dual-stenciled pipe. CR and PR, Table I-1.

[37] CR at I-18; PR at I-14-15.

[38] Testimony at the hearing indicated that Chinese producers do not operate any CW mills. Hearing tr. at 215 (Mr. Schagrin).

[39] The ERW process is a cold-forming process that begins with steel sheet that has been cut to the width of diameter of the pipe to be welded. The slit sheet is then formed into a tubular shape by passing through rollers, and then the edges are heated by electrical resistance and welded by a combination of heat and pressure. The product is then subjected to post-weld heat treatment, cooled, and then cut to length. This process can be used to make the full range of standard pipe products covered by the petition. In the CW process, the entire slit sheet is heated in a gas-fired furnace. The sheet is formed into a tubular shape by a series of rollers, and the edges are butted together under pressure to form the weld. While still hot, the product may be processed through a stretch reduction mill, which reduces the diameter and wall thickness of the pipe. The continuous tube is then cut to length. The CW method can

(continued...)

Once formed and cut, the pipe then undergoes a finishing process. Finishing operations may include hydrostatic testing, oiling, and galvanizing. End finishing may include square cutting, beveling, threading, or grooving. Threaded pipe may be finished threaded or coupled.[40] Most imported and domestic finished pipe is stenciled with an ASTM number or other number to show the specifications which the pipe meets.[41]

Uses. The evidence indicates that domestic circular welded non-alloy steel pipe and the subject imports have the same end uses. As indicated above, the majority of responding U.S. producers (14 of 14), importers (13 of 15), and purchasers (10 of 11) reported that the two products were used interchangeably in end uses.[42] The evidence does not support Chinese respondents' claim that the imported and domestic products are substitutable only in limited applications. Information in the record indicates that both Grade A and Grade B pipe can be used for any fence or sprinkler application and are interchangeable for approximately 90 percent of the plumbing, HVAC, and mechanical applications in nonresidential construction.[43] In addition, information in the record suggests that substitutability, to the extent it is an issue, is likely to be limited only to certain mid-range sizes of pipe, because virtually all small pipe is Grade A pipe and virtually all large pipe is Grade B pipe.[44]

Marketing channels. The evidence indicates that the majority of shipments of imported and domestic products went to distributors. For U.S. producers, the percentage of U.S. shipments made to distributors ranged from about 64 percent to 73 percent, with the remainder going directly to end users. Importers from China reported in each year of the period examined that over 90 percent of their U.S. shipments were made to distributors.[45]

(4) Conclusions

In view of the similarities between the imported and domestically produced circular welded non-alloy steel pipe in physical properties, manufacturing processes, uses, customs treatment, and channels of

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[39] (...continued)
be used to produce pipe up to 4.5 inches in outside diameter. CR at I-11-13; PR at I-10. Testimony at the hearing indicates that the ASTM will not permit standard pipe formed through the CW process to be stenciled as Grade B pipe. Hearing tr. at 215 (Mr. Schagrin).

[40] CR at I-13; PR at I-10.

[41] CR and PR, Table I-1.

[42] CR at V-16; PR at V-11.

[43] Petitioners' post-hearing brief at A-44. Petitioners assert that Grade B pipe is generally specified in very tall high-rise buildings and in construction support applications. In support of their claim that Grade A and Grade B pipe are interchangeable, petitioners provided information that indicates that two domestic producers that manufacture both Grade A and Grade B circular welded non-alloy steel pipe sell both grades at the same price, even though it costs more to produce Grade B pipe. Id. at A-43-44.

[44] Confidential affidavit of ***, a U.S. distributor of imported and domestic carbon steel standard pipe and fittings, Exh. 4 of MAN Ferrostaal post-hearing brief. *** said that his firm is one of the ***. He estimated that over *** percent of his firm's shipments of standard pipe of 1.9 inch outside diameter (OD) or less are Grade A pipe, while *** percent of his firm's shipments of standard pipe larger than 8⅝ inches OD are Grade B pipe. For pipe 2.375 inches OD through 4½ inches OD, he estimated that his firm's shipments were at a ratio of *** percent Grade A and *** percent Grade B. For pipe 5 9/16 inches OD through 8⅝ inches OD, he estimated the ratio at *** percent Grade A and *** percent Grade B, and stated that importers offer both Grade A and Grade B pipe in this range, but domestic producers generally offer only Grade B.

[45] CR and PR at V-3.

distribution, we find that domestically produced circular welded non-alloy steel pipe is "like" the subject imports in that they are "substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.)." We also find that the various sizes and types of "like" domestic pipe are part of a continuum of products that are "like" the subject imports, and that there is one "like" domestic product. No party has argued that there is a clear dividing line among domestic circular welded non-alloy steel pipe products.

B. The domestic industry

Neither section 421 nor its legislative history defines the term "domestic industry." However, the term is defined in other statutory authorities. Section 202(c)(6)(A)(i) of the Trade Act (19 U.S.C. § 2252(c)(6)(A)(i)) defines the term "domestic industry" to mean –

> with respect to an article, the domestic producers as a whole of the like or directly competitive article or those producers whose collective production of the like or directly competitive article constitutes a major proportion of the total domestic production of such article.

In previous section 421 investigations, having found domestic production of a like product, the Commission found the domestic industry to consist of the domestic firms and workers producing that product.[46] We follow that practice here.

In the current case, the Commission identified 18 domestic firms producing circular welded non-alloy steel pipe.[47] The Commission collected useable financial and other data from 16 of the 18 firms for the entire period examined. We find that the domestic circular welded non-alloy steel pipe operations of these firms constitute the relevant domestic industry.[48]

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[46] *See, e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 14.

[47] For a list of 16 of the 20 firms (firms that reported U.S. production and other information to the Commission), *see* CR and PR, Table I-6.

[48] Vice Chairman Okun and Commissioner Pearson do not join the remainder of these views. *See* Separate and Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson.

VIEWS OF CHAIRMAN STEPHEN KOPLAN AND COMMISSIONER CHARLOTTE R. LANE

I. VIEWS ON MARKET DISRUPTION

A. Introduction

In order to determine that market disruption exists, we must find that the following conditions are satisfied –

(1) imports of the subject product from China are increasing rapidly, either absolutely or relatively;

(2) the domestic industry is materially injured, or threatened with material injury; and

(3) such rapidly increasing imports are a significant cause of the material injury or the threat of material injury.

B. Rapidly increasing imports

Statutory framework. The first of the three statutory criteria for finding market disruption requires that the Commission find that imports of a product from China "are increasing rapidly, either absolutely or relatively." Thus, under the statute, the increase must be occurring "rapidly," in either absolute or relative terms. The statute suggests that the rapid increase should be recent or continuing, as opposed to in the distant past. Section 421 does not otherwise define "rapidly increasing" or the timing or circumstances of the increase.

Arguments of the parties. The parties disagree with respect to whether imports are increasing rapidly. Petitioners contend that the subject imports from China have increased rapidly in both absolute and relative terms. Petitioners, citing Commission data, state that imports from China during the period 2000-2004 increased by 103,602 tons, or by 63.2 percent, and during the period 2002-2004 increased by 257,354 tons, or by 2,544.5 percent. Petitioners assert that the import volume surge accelerated in the second half of 2004, and that subject imports in the first half of 2005 were 110.5 percent above the level in the comparable period of 2004.[1]

The Chinese respondents argue that there has been no rapid increase in subject imports under any of the possible statutory measures.[2] They claim that imports from China were artificially restricted in 2002 and 2003 when U.S. global safeguard measures were in place (in 2002 and 2003) and an antidumping investigation was pending (in 2002), and that imports are simply returning to expected levels.[3] They also argue that the Commission should take into account the "panic" steel market in the second half of 2003 and 2004 and the long lead times for Chinese product, which they claim resulted in a bunching of Chinese imports in the second half of 2004 and first half of 2005.[4] They argue that, in view of these effects, 2001 import levels are the proper benchmark for determining whether imports are

[1] Petitioners' pre-hearing brief at 4-5.

[2] Chinese respondents' pre-hearing brief at 6.

[3] Chinese respondents' pre-hearing brief at 7-8.

[4] Chinese respondents' pre-hearing brief at 8-10.

increasing rapidly. They assert that imports, when viewed in that context, have increased a "relatively modest" 100,000 tons between 2001 and year-to-date 2005.[5]

Finding. In deciding whether the increasing rapidly test is satisfied, we look to the increase and rate of increase in imports, and focus on recent as opposed to past increases in imports.

The data show that imports of circular welded non-alloy steel pipe from China have increased rapidly by any measure. They have increased rapidly in both absolute and relative terms. The data show that the subject imports increased rapidly in the most recent full year (2004 as compared to 2003) as well as over a longer recent period of 2 to 3 years. The data show that the increase in volume of subject imports from China accelerated during 2004, and that the volume of subject imports from China in the second half of 2004 was more than double the volume in the first half of 2004. Moreover, the data show that this acceleration in volume continued during the first half of 2005.

In absolute terms, the data show that subject imports from China rose from 92,316 short tons in 2003 to 267,468 short tons in 2004, an increase of 175,152 short tons, or 189.7 percent. When viewed over the most recent two year period, the increase in volume and percentage is even greater. The volume of subject imports rose from 10,114 short tons in 2002 to 257,354 short tons in 2004, an increase of 257,354 short tons, or 2,544.5 percent. Even when compared to subject imports in 2000 and 2001, which predated the global safeguard measures and which were higher than subject imports in 2002 and 2003, subject imports from China have increased rapidly. Subject imports increased from 163,866 short tons in 2000 to 267,468 short tons in 2004, an increase of 103,602 short tons, or 63.2 percent. This rapid increase in subject imports continued unabated into the first half of 2005. Subject imports were 87,890 short tons in the first half of 2004, rose to 179,578 short tons in the second half of 2004, and rose again to 185,019 short tons in the first half of 2005. Imports from China in the first half of 2005 were 110.5 percent above the level in the first half of 2004, and were higher in the first half of 2005 than in any full year of the period examined, with the exception of 2004.[6] Thus, under virtually any measure, subject imports from China have increased rapidly in absolute terms, with the largest increase in volume occurring in the most recent period.

We also find that subject imports of circular welded non-alloy steel pipe from China are increasing rapidly in relative terms. The ratio of subject imports to domestic production more than doubled between 2003 and 2004, from 7.2 percent to 18.9 percent. The ratio in 2004 was also substantially above the ratios in 2000 and 2001 (10.8 percent and 11.6 percent, respectively). The ratio of subject imports to domestic production in the first half of 2005 (31.5 percent) was nearly three times the ratio in the first half of 2004 (10.7 percent).[7] The ratio of subject imports to U.S. apparent consumption showed a similar rise, more than doubling between 2003 (4.4 percent) and 2004 (11.0 percent), rising by a factor of 22 times between 2002 (0.5 percent) and 2004 (11.0 percent). The ratio in 2004 was also

[5] Chinese respondents' pre-hearing brief at 12.

[6] Subject imports from China fell from 163,866 short tons in 2000 to 157,035 short tons in 2001 and 10,114 short tons in 2002, and then rose to 92,316 short tons in 2003 and 267,468 short tons in 2004. Subject imports from China were 87,890 short tons in the first half of 2004 and 185,019 short tons in the first half of 2005. CR and PR, Table C-1. A simple end point to end point comparison of 2004 subject import levels and 2000 or 2001 subject import levels also shows a rapid increase, with subject imports from rising by over 100,000 short tons, or by about 70 percent.

[7] For the period examined, the ratio of Chinese subject imports to U.S. production was 10.8 percent in 2000, and then increased to 11.6 percent in 2001, fell to 0.7 percent in 2002, and then rose to 7.2 percent in 2003 and 18.9 percent in 2004; the ratio was 10.7 percent in the first half of 2004 and 31.5 percent in the first half of 2005. CR and PR, Table II-3.

substantially above the ratios in 2000 and 2001. The ratio more than doubled between the first half of 2004 (6.8 percent) and the first half of 2005 (16.6 percent).[8]

In making our determination, we fully considered the arguments made by the respondents with respect to the period we should examine, as well as the possible distorting effects that the safeguard measures in 2002-2003, the pendency of an antidumping duty investigation in 2002, and recent conditions in the pipe market may have had on the level of subject imports. However, considering the level of imports in 2004 and 2005 to date, it is clear that regardless of what base is chosen, subject imports are increasing rapidly.

In view of the above, we find that the first statutory criterion is fully satisfied.

C. Material injury

Statutory criterion. The second criterion concerns whether the domestic industry is materially injured or threatened with material injury. Neither section 421 nor its legislative history defines the terms "material injury" or "threat," identifies economic factors to be considered, or cross-references any definitions, factors, or Commission practice under other statutory authorities to which the Commission might look for instruction. However, the term "material injury" appears in both section 406 of the Trade Act of 1974 and Title VII of the Tariff Act of 1930. Title VII of the Tariff Act defines "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant."[9] Section 406 does not define "material injury," but its legislative history contrasts the term with "serious" injury used in section 201 –

> the market disruption test is intended to be more easily met than the serious injury tests in section 201. . . . the term "material injury" in section 406 is intended to represent a lesser degree of injury than the term "serious injury" standard employed in section 201.[10]

In the absence of express direction in section 421, the Commission has found that "material injury" in section 421 cases represents a lesser degree of injury than "serious injury" under section 202 of the Trade Act.[11] This lesser degree of injury applies for both present injury and threat of injury analyses. The Commission also has found it appropriate, in analyzing present material injury, to consider all relevant economic factors that have a bearing on the state of the industry, including the three broad factors in section 202(c)(1)(A) relating to idling of productive facilities, inability of firms to operate at a reasonable level of profitability, and unemployment or underemployment. The Commission also has considered other relevant economic factors, such as production, shipments, sales, inventories, capacity and capacity utilization, market share, employment, wages, productivity, profits, capital expenditures, and research and development expenditures. It has not viewed any single factor as necessarily dispositive,

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[8] For the period examined, the ratio of subject imports to U.S. apparent consumption was 5.1 percent in 2000, increased to 5.7 percent in 2001, fell sharply to 0.5 percent in 2002, and then rose to 3.8 percent in 2003 and 8.9 percent in 2004; the ratio was 5.5 percent in the first half of 2004 and 12.8 percent in the first half of 2005. CR and PR, Table C-1.

[9] Section 771(7)(A); 19 U.S.C. § 1677(7)(A).

[10] Trade Act of 1974, Senate Report No. 93-1298, 93rd Cong., 2nd Sess., *reprinted in* 1974 U.S.C.A.A.N. 7186, 7343-44.

[11] *See, e.g.*, *Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18.

and has considered all relevant factors within the context of the relevant business cycle and conditions of competition that are distinctive to the affected industry.[12]

Arguments of the parties. The parties disagree as to whether this criterion is satisfied, with petitioners arguing that the domestic industry is materially injured and threatened with further material injury, and the respondents arguing that it is not.

With respect to material injury, petitioners cite, in particular, declines during the past 12 months in domestic capacity, production, shipments, operating income, and employment,[13] and a decline in domestic producers' share of the U.S. market that is nearly identical to the share gained by subject imports from China.[14] They also cite evidence of several recent production curtailments and several threatened curtailments and shutdowns if relief is not provided.[15] They claim that some domestic producers have cut prices or rolled back announced price increases to help their customers compete with distributors of the Chinese subject products,[16] claim that Commission price data show "extremely high" margins of underselling, particularly in 2004 and 2005,[17] and cite several instances in which U.S. purchasers increased purchases of the Chinese subject product and reduced purchases of the domestic product.[18]

The Chinese respondents argue that the domestic industry is not materially injured or threatened with material injury. They assert that the domestic industry is operating at strong rates of profitability;[19] that the industry has not idled productive facilities, but rather shuttered poorly situated or inefficient facilities;[20] that domestic employment is stable;[21] and that domestic production and shipments remain solid in the aftermath of the overheated 2004 market, although with some decline attributable to certain companies' emphasis on higher value, non-subject products.[22] They also argue that the industry typically operates at less than full capacity, and that recent low capacity utilization rates are a function of product switching and relatively low fixed costs.[23] MAN Ferrostaal similarly argued that the domestic industry is not materially injured or threatened with material injury, citing industry financial data, pricing, return on investment, capital expenditures, new acquisitions, and other indicia.[24]

Finding. For the reasons set forth below, we find that the domestic industry producing circular welded non-alloy steel pipe is materially injured.

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[12] *See, e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18.

[13] Petitioners' pre-hearing brief at 8.

[14] Petitioners' pre-hearing brief at 9.

[15] Petitioners' pre-hearing brief at 10.

[16] Petitioners' pre-hearing brief at 12.

[17] Petitioners' pre-hearing brief at 13-14.

[18] Petitioners' pre-hearing brief at 17-18.

[19] Chinese respondents' pre-hearing brief at 14.

[20] Chinese respondents' pre-hearing brief at 19-20

[21] Chinese respondents' pre-hearing brief at 20.

[22] Chinese respondents' pre-hearing brief at 21.

[23] Chinese respondents' pre-hearing brief at 24.

[24] MAN Ferrostaal pre-hearing brief at 7-11.

Overview of the domestic industry

As indicated above, the domestic circular welded non-alloy steel pipe industry consisted of 18 domestic producers. The Commission collected financial and other data from 16 firms for the period 2000 through 2004, and January-June 2004 and January-June 2005. These firms are believed to account for the vast majority of the domestic industry's production volume during 2004. Two additional domestic producers exited the industry in 2001 and provided data through 2001.[25] Most domestic producers also produce other products, such as OCTG, line pipe, large-diameter standard and structural pipe, and other pipe, on the same equipment that they use for producing circular welded non-alloy steel pipe. Their product mix is reportedly determined by market demand. The Commission collected capacity and production data from those producers on those products as well.[26] Domestic producers sell the majority of their circular welded non-alloy steel pipe to distributors, with the remainder going directly to end users.[27]

Demand for circular welded non-alloy steel pipe depends on the level of demand for downstream products, such as commercial and residential fencing, plumbing, heating and air conditioning systems, and sprinkler systems. Demand tends to follow general economic activity in the U.S. economy.[28] U.S. apparent consumption fluctuated during the period examined, declining between 2000 and 2003 and then rising in 2004. U.S. apparent consumption was lower in the first part of 2005 than in the first part of 2004.[29]

Analysis of factors

We find that the domestic circular welded non-alloy steel pipe industry is materially injured. We find that most industry indicators, after having been relatively stable during most of the period examined, including during the first half of 2004, fell sharply beginning in the second half of 2004, with the decline continuing through the first part of 2005. Thus, the data through the first half of 2004 and the data beginning with the second half of 2004 present two different pictures of this industry.

Domestic production, U.S. shipments, and U.S. producers' net sales of circular welded non-alloy steel pipe show that domestic production and U.S. shipments were relatively steady through most of the period examined, and then fell sharply beginning in the second half of 2004. Domestic production declined irregularly between 2000 and 2004 by an overall 6.8 percent, and then fell sharply beginning in the second half of 2004.[30] Domestic production was 820,237 short tons in the first half of 2004 and then fell sharply to 596,891 short tons in the second half of 2004 and 587,367 short tons in the first half of 2005. Domestic production in the first half of 2005 was 28.4 percent below the level in the first half of 2004.[31] Shipments by U.S. producers followed a similar trend during the period examined, declining

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[25] CR at III-1, III-10; PR at III-1, III-7.

[26] CR and PR at III-3.

[27] CR and PR at V-3.

[28] CR at V-7; PR at V-5.

[29] CR and PR, Table C-1.

[30] Domestic production declined from 1.52 million short tons in 2000 to 1.35 million short tons in 2001, and then increased to 1.40 million short tons in 2002, fell to 1.28 million short tons in 2003, and then rose to 1.42 million short tons in 2004; production declined from 820,237 short tons in the first part of 2004 to 587,367 short tons in the first half of 2005. CR and PR, Table C-1.

[31] CR and PR, Table C-1. Data for the second half of 2004 were calculated by subtracting first half 2004 data from full year 2004 data. There appears to be no significant seasonality in the various economic indicators for the domestic circular welded non-alloy steel industry. Accordingly, we find it appropriate to compare first and second

(continued...)

irregularly between 2000 and 2004 by 7.2 percent, and then falling sharply beginning in the second half of 2004, with this decline continuing in 2005. U.S. producer shipments in the first half of 2005 were 27.8 percent below the level in the first half of 2004.[32] U.S. producers' net sales declined irregularly between 2000 and 2004, falling by 17.9 percent, and then fell sharply in the second half of 2004, with this decline continuing in 2005. U.S. producers' net sales in the first half of 2005 were 28.7 percent below the level in the first half of 2004.[33]

Domestic industry capacity utilization remained relatively stable during most of the period examined and then fell sharply in the second half of 2004 and in the first half of 2005,[34] resulting in a significant idling of productive facilities within the industry. Capacity utilization by domestic producers fluctuated within a relatively narrow range between 2000 and 2004, with the exception of a dip in 2003, and then fell sharply beginning in the second half of 2004. The capacity utilization rate fell from 59.7 percent in the first half of 2004, to about 51.9 percent in the second half of 2004, and to 44.9 percent in the first half of 2005.[35] Domestic capacity, on the other hand, remained relatively stable during the period examined, and fell only marginally at the end of the period. Domestic capacity fluctuated during the period examined, but was 1.8 percent lower in 2004 than in 2000; domestic capacity fell from 1.37 million short tons in the first half of 2004 to 1.31 million short tons in the first half of 2005, or by 4.9 percent.[36] Thus, the sharp decline in the capacity utilization rate at the end of the period is not attributable to an increase in capacity, as overall industry capacity fell; and the decline in capacity utilization would have been even further magnified had domestic capacity not fallen between the first half of 2004 and the first half of 2005.

We also considered domestic industry employment, hours worked, wages paid, and productivity. The data show that there is significant unemployment among workers in the domestic industry. Domestic industry employment and hours worked fluctuated during most of the period examined, were only marginally lower in 2004 than in 2000, and fell sharply beginning in the second half of 2004 and continuing through the first half of 2005. Employment (production and related workers) fluctuated within a relatively narrow range, and fell by 5.3 percent between 2000 and 2004. However, industry

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[31] (...continued)
half year data to show changes in industry performance. The absence of significant seasonality was confirmed at the hearing. An official of one domestic producer expressed the view that it is arguable whether there is any seasonality, but said that his firm tends to look at a 52 percent first half of the year and 48 percent second half of the year as a pattern. Tr. at 248 (Mr. Perrine of Sharon Steel). This view was not challenged.

[32] U.S. producers' U.S. shipments were 1,477,071 short tons in 2000, and then fell to 1,354,581 short tons in 2001, 1,327,987 short tons in 2002, and 1,278,309 short tons in 2003, and then rose to 1,370,589 short tons in 2004. U.S. shipments were 798,984 short tons in the first half of 2004, and then fell sharply to 571,605 short tons in the second half of 2004, and were 576,579 short tons in the first half of 2005. CR and PR, Table C-1.

[33] U.S. producers' net sales were 1,711,964 short tons in 2000, and then fell to 1,630,292 short tons in 2001, 1,368,459 short tons in 2002, and 1,279,662 short tons in 2003, and then rose to 1,404,727 short tons in 2004. U.S. producers net sales were 826,121 short tons in the first half of 2004, and then fell sharply to 578,606 short tons in the second half of 1974, and were 588,619 short tons in the first half of 2005. CR and PR, Table C-1.

[34] In examining capacity and capacity utilization, we focused on trends in rates of capacity and capacity utilization rates, as opposed to the numbers themselves, in recognition of the fact that capacity utilization rates in particular can vary from industry to industry.

[35] Capacity utilization fell slightly from 58.8 percent in 2000 to 57.6 percent in 2001, and then rose slightly to 58.6 percent 2002; it fell to 48.7 percent in 2003, and then increased to 55.8 percent in 2004; the rate fell from 59.7 percent in the first half of 2004 to 44.9 percent in the first half of 2005. CR and PR, Table C-1.

[36] Capacity was 2,586,007 short tons in 2000, fell to 2,347,822 short tons in 2001 (the year in which Laclede and Newport exited the market), and then rose to 2,392,279 short tons in 2002 and to 2,624,232 short tons in 2003, and then fell to 2,538,977 short tons in 2004. Capacity fell from 1,374,917 short tons in the first half of 2004 to 1,308,025 short tons in the first half of 2005. CR and PR, Table C-1.

employment was sharply lower, 16.3 percent lower, in the first half of 2005 than in the first half of 2004.[37] A comparison of full year 2004 employment and first half of 2004 employment levels shows higher employment levels in the first half of 2004, indicating that a significant decline began in the second half of 2004. This is confirmed by information in the record showing layoffs by several producers, including layoffs by Wheatland in December 2004.[38]

In examining industry employment, we also considered whether some workers in facilities producing both circular welded non-alloy steel pipe and other tubular products may have been transferred to production of products other than circular welded non-alloy steel pipe, and not laid off. We found that some workers were transferred to other tubular products.[39] However, in our view, it would be inappropriate for us to adjust employment data, or to consider, as a mitigating circumstance, the fact that some displaced circular welded non-alloy steel pipe workers found employment on non-subject product lines. The adjusted data would understate both current employment in the domestic circular welded non-alloy steel pipe industry, and changes in employment levels in the industry during the period examined. In determining whether the domestic industry is materially injured, we believe that section 421 requires that we focus on the evidence that shows the actual condition of the domestic industry.[40]

Hours worked followed a trend similar to employment, fluctuating to some extent during the period examined, but declining by 9.2 percent between 2000 and 2004. However, hours worked were sharply lower, 20.5 percent, in the first half of 2005 than in the first half of 2004. A comparison of full year 2004 and first half 2004 data indicates the decline began in the second half of 2004.[41]

Wages paid and industry productivity fluctuated during the period examined, and fell in the second half of 2004, and were sharply lower in the first half of 2005 than in the first half of 2004. Wages paid rose irregularly during most of the period examined, and were 3.4 percent higher in 2004 than in 2000, but wages paid were 18.3 percent lower in the first half of 2005 than in the first half of 2004.[42] Industry productivity trended downward during most of the period examined, but rose in 2004, and was 2.7 percent higher in 2004 than in 2000; however, productivity was 9.9 percent lower in the first half of 2005 than in the first half of 2004.[43] As in the case of other industry indicators, a comparison of full year 2004 and the first half of 2004 data indicates that the decline in productivity began in the second half of 2004.

We considered the share of the U.S. market (as measured in terms of share of U.S. consumption) held by the domestic producers. These data show a slow rise in the domestic producers' share of the

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[37] Employment fell from 2,434 production and related workers (PRWs) in 2000 to 2,283 in 2001, and then increased to 2,378 in 2002, fell to 2,074 in 2003, and rose to 2,304 in 2004; employment fell to 2,051 workers in the first half of 2005 from 2,451 in the first half of 2004. CR and PR, Table III-7.

[38] CR at III-9; PR at III-6.

[39] CR at III-9; PR at III-6.

[40] We found that even if we were to adjust the data to subtract those transferred workers, the data would continue to show a significant decline in employment – 11 percent – between the first half of 2004 and the first half of 2005. CR at III-9; PR at III-6.

[41] Hours worked fell from 5.02 million hours in 2000 to 4.61 million hours in 2001, and then rose to 4.99 million hours in 2002, fell to 4.55 million hours in 2003, and rose slightly to 4.56 million hours in 2004. Hours worked fell from 2.45 million hours in the first half of 2004 to 1.94 million hours in the first half of 2005. CR and PR, Table C-1.

[42] Wages paid fell from $84.6 million in 2000 to $79.7 million in 2001, and then rose to $94.7 million in 2002, fell to $81.7 million in 2003, and rose to $87.5 million in 2004. Wages paid fell from $47.3 million in the first half of 2004 to $38.7 million in the first half of 2005. CR and PR, Table C-1.

[43] Productivity fell from 302.5 in 2000 to 293.2 in 2001, 281.1 in 2002, and 280.9 in 2003, and then rose to 310.8 in 2004. Productivity fell from 335.4 in the first half of 2004 to 302.2 in the first half of 2005. CR and PR, Table C-1.

market through 2003, and then a steep decline at the end of the period examined. Domestic producers' share of U.S. consumption increased incrementally each year during 2000-2003, by a total of 3.8 percentage points, and then fell by 5.1 percentage points in 2004. A comparison of full year 2004 and the first half of 2004 data indicate that all of this decline occurred in the second half of the year. Domestic producers' share of U.S. consumption was sharply lower (by 10.4 percentage points) in the first half of 2005 than in the first half of 2004.[44]

We also examined various indicators of the industry's financial performance, including operating income, the number of firms operating at low levels of profitability or at a loss, the ability of firms to make capital investments for research and development (R&D) expenditures, and cash flow. These data show an industry in financial difficulty at the end of the period examined. In arguing that the data with respect to financial performance do not support a finding of material injury or threat, the Chinese respondents argue that the Commission should place, and has placed, more weight on this factor than on other factors in determining whether the industry is materially injured or threatened with material injury.[45] We are unaware of such Commission past practice, and we have not established a hierarchy of factors, in order of importance, in making our determinations. We always examine all economic factors that we find relevant and probative, without regard to whether the evidence relating to a particular factor supports our determination. The data show that producers' reported operating income on circular welded non-alloy steel pipe operations fluctuated during the period examined, reaching their best levels in early 2004, and then sharply declining. A comparison of full year 2004 data and first half 2004 data indicates that operating income fell in the second half of 2004, and the data show that operating income in the first half of 2005 was sharply lower – 62.2 percent lower – than operating income reported for the first half of 2004.[46] The data also show a sharp deterioration in the industry's cash flow position late in the period examined. Industry cash flow fluctuated during the period examined, and reached its highest level in 2004. However, the industry's cash flow deteriorated in the second half of 2004 and was sharply lower (down 66.1 percent) in the first half of 2005 as compared to the first half of 2004.[47] While the industry as a whole remained profitable in the first half of 2005, two producers reported that they operated at a loss during that period (no producers so reported in the first half of 2004). Most individual producers reported sharply lower operating income in the first half of 2005 than in the first half of 2004, and many were barely profitable.[48] Based on these data, we find that a significant number of firms in the industry are unable to operate at a reasonable level of profit.

Industry capital expenditures and R&D expenses fluctuated during the period examined, and do not show a particularly discernable trend. Capital expenditures were at their highest level in 2001 and then declined each year through 2004. However, capital expenditures were slightly higher in the first half

[44] Domestic producers' share of U.S. consumption was 57.6 percent in 2000, and rose to 59.1 percent in 2001, 60.0 percent in 2002, and 61.5 percent in 2003, and then fell to 56.4 percent in 2004. Domestic producers' share was 62.0 percent in the first half of 2004, and 51.6 percent in the first half of 2005. CR and PR, Table C-1.

[45] Chinese respondents' post-hearing brief at 7, 64.

[46] The industry reported operating income of $73.2 million in 2000, $44.7 million in 2001, $67.7 million in 2002, $25.2 million in 2003, and $132.9 million in 2004; operating income was $105.8 million in the first half of 2004 and $40.1 million in the first half of 2005. CR and PR, Table C-1.

[47] Industry cash flow was $77.7 million in 2000, fell to $47.6 million in 2001, rose to $71.2 million in 2002, fell to $22.8 million in 2003, and rose to $131.6 million in 2004; industry cash flow was $103.2 million in the first half of 2004 and $35.1 million in the first half of 2005. CR and PR, Table III-8. A comparison of full year 2004 data and first half 2004 data indicates a sharp decline in cash flow in the second half of 2004.

[48] CR and PR, Table III-8.

of 2005 than in the first half of 2004.[49] Reported industry R&D expenses were low relative to capital expenditures throughout the period. R&D expenses followed a trend similar to that of capital expenditures, of rising and then gradually declining, and were also higher in the first half of 2005 than in the first half of 2004.[50]

We also considered U.S. producers' end-of-period inventories. The data show that such inventories fell each year during the period examined, and were 22.1 percent lower in 2004 than in 2000. However, end-of-period inventories were 3.8 percent higher in the first half of 2005 than in the first half of 2004.[51]

Conclusion. In view of the recent sharp declines during the second half of 2004 and the first half of 2005 in domestic production, U.S. producers' shipments, U.S. producers' net sales, capacity utilization, employment, hours worked, wages paid, productivity, domestic producers' market share, and industry financial performance, we find that the domestic industry producing circular welded non-alloy steel pipe is materially injured.

D. A significant cause

Statutory framework. The term "significant cause" is defined in section 421(c)(2) of the Trade Act to mean "a cause which contributes significantly to the material injury of the domestic industry, but need not be equal to or greater than any other cause."[52] Section 406 of the Trade Act uses the same causation test and definition.[53] The legislative history of section 406 describes the significant cause standard as follows:

> Under this standard, the imports subject to investigation need not be the leading or most important cause of injury or more important (or even equal to) any other cause, so long as a direct and significant causal link exists. Thus, if the ITC finds that there are several causes of the material injury, it should seek to determine whether the imports subject to investigation are a significant contributing cause of the injury or are such a subordinate, subsidiary or unimportant cause as to eliminate a direct and significant causal relationship. . . . [54]

Section 421(d) includes a list of three criteria that the Commission is required to consider in determining whether market disruption exists and that relate to the Commission's causation analysis:

(1) the volume of imports of the product which is the subject of the investigation;

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[49] Capital expenditures were $*** million in 2000, rose to $*** million in 2001, fell slightly to $*** million in 2002, then fell to $*** million in 2003, and $*** million in 2004; capital expenditures were $*** million in the first half of 2004 and $*** million in the first half of 2005. CR and PR, Table III-12.

[50] R&D expenses were $1.0 million in 2000, rose to $1.2 million in 2001 and $*** million 2002, and then fell to $*** million in 2003, and $919,000 in 2004; R&D expenses were $472,000 in the first half of 2004 and $519,000 in the first half of 2005. CR and PR, Table III-13.

[51] End of period inventories were 228,801 short tons in 2000, and fell to 204,935 short tons in 2001, 203,800 short tons in 2002, 203,520 short tons in 2003, and 178,285 short tons in 2004; end of period inventories were 168,641 short tons in the first half of 2004 and 175,111 short tons in the first half of 2005. CR and PR, Table C-3.

[52] 19 U.S.C. § 2451(c)(2).

[53] Section 406(e)(2)(B)(ii), 19 U.S.C. § 2436(e)(2)(B)(ii).

[54] Omnibus Trade and Competitiveness Act of 1988, House Conf. Report No. 100-576, 100th Cong., 2nd Sess., *reprinted in* 1988 U.S.C.A.A.N. 1547, 1724.

(2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and

(3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.[55]

The presence or absence of any of these factors is not necessarily dispositive of whether market disruption exists. The three factors are similar to a list of factors in section 406(e)(2)(C) of the Trade Act[56] and parallel the criteria in Title VII of the Tariff Act that the Commission must consider in determining whether a domestic industry is injured by reason of dumped imports.[57]

Arguments of the parties. The petitioners argue that rapidly increasing imports are a significant cause of material injury or the threat of material injury to the domestic industry. They assert that the record shows a strong correlation between subject import volumes and material injury. They also assert that the record shows large margins of underselling by the importers of Chinese pipe, and that such underselling has caused purchasers to increase purchases of subject imports from China and decrease purchases from domestic producers.[58] They assert that the loss in domestic producers' market share (9.7 percentage points) between the first half of 2004 and the first half of 2005 almost directly offsets the market share gain for subject imports (10.5 percentage points), and that the nearly unchanged market share held by non-subject imports (a decline of 0.8 percentage points) shows that the subject imports were not merely substituting for non-subject imports.[59] They deny respondents' claim that the imported and domestic products are principally of different grades and that competition between them is attenuated.[60]

Chinese respondents argue that imports are not a significant cause of material injury to the domestic industry. They assert that competition between the imported and domestic products is attenuated because the imported product is largely Grade A pipe while the domestic product is mostly Grade B pipe.[61] They assert that the Commission should use 2001 import levels as the benchmark because import levels were depressed in 2002 and 2003 as a result of the safeguard measures on steel products and a pending antidumping investigation, and that recent import levels reflect what would otherwise have been a modest growth in imports.[62] They also assert that the increase in imports during the 18 months ending in June 2005 was in large part a temporary phenomenon resulting from an inventory buildup in anticipation of price increases and shortage in 2004.[63] They assert that changes in hot-rolled prices, which account for 76 percent of the value of standard pipe, drive standard pipe prices.[64] They claim that the subject imports have not depressed or suppressed domestic prices, but rather have increased along with domestic prices.[65] They also assert that any increase in subject imports has been at

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[55] 19 U.S.C. § 2451(d).

[56] 19 U.S.C. § 2451(e)(2)(C).

[57] Section 771(7)(B)(i) of the Tariff Act of 1930, 19 U.S.C. § 1677(7)(B)(i).

[58] Petitioners' post-hearing brief at 24-25.

[59] Petitioners' post-hearing brief at 20.

[60] Petitioners' post-hearing brief at 14-15.

[61] Chinese respondents' pre-hearing brief at 25.

[62] Chinese respondents' pre-hearing brief at 12.

[63] Chinese respondents' pre-hearing brief at 27-30.

[64] Chinese respondents' pre-hearing brief at 30.

[65] Chinese respondents' pre-hearing brief at 31-38.

the expense of non-subject imports, and cite declines in imports from Korea and Taiwan.[66] They attribute the "small" loss in domestic industry market share to subject imports to the lag time between market downturns and the ability of imports to react, asserting that the decline in new orders will not become apparent until the third and fourth quarters.[67] They assert that domestic production and shipments have been adversely affected by factors unrelated to imports, such as the decision by certain domestic producers to divert production to higher margin products such as OCTG and by availability problems with hot rolled raw material that have constrained production.[68] They also assert the following: that industry profits in the second half of 2005 should be at or near the record levels of the first half of 2004, that the industry continues to be able to increase prices, importers do not have much inventory of subject imports, that the U.S. market is not the focal point for the diversion of Chinese imports, and that projections for Chinese capacity, production, and shipments do not suggest an imminent increase in Chinese imports.[69]

In its separate brief, MAN Ferrostaal also argues that imports of pipe from China are not a significant cause of material injury or threat of material injury. They assert that the domestic industry enjoyed its highest profitability when imports reached their peak in 2004, and that the decline in industry profitability during the first half of 2005 appears primarily to be the result of significant increases in the cost of raw materials.[70] They also cite the ability of domestic producers to raise and maintain high price levels despite the presence of imports from China and the relatively few instances of lost sales.[71]

Finding. We find that imports of circular welded non-alloy steel pipe from China are increasing rapidly so as to be a significant cause of material injury to the domestic circular welded non-alloy steel pipe industry.

Conditions of competition

Circular welded non-alloy steel pipe is produced in a wide range of diameters and types. U.S. and Chinese producers are present in all market segments.[72] The Chinese and domestic products are used interchangeably,[73] and are made primarily to the same ASTM specifications.[74] Most U.S. producers and importers reported that there were no significant differences in product characteristics or sales conditions between the domestic and Chinese circular welded non-alloy steel pipe.[75] The majority of purchasers rated the domestic and Chinese products as comparable in quality.[76] The evidence does not support respondents' claim that competition between the domestic and imported products is attenuated because the imported and domestic products are primarily of different grades. Both domestic producers and

[66] Chinese respondents' pre-hearing brief at 39.

[67] Chinese respondents' pre-hearing brief at 40.

[68] Chinese respondents' pre-hearing brief at 51-53.

[69] Chinese respondents' pre-hearing brief at 66-77.

[70] MAN-Ferrostaal's pre-hearing brief at 15.

[71] MAN-Ferrostaal's pre-hearing brief at 16.

[72] CR and PR, Table I-2, Table D-1, and Table D-2.

[73] CR at V-16; PR at V-11.

[74] CR at I-9; PR at I-7.

[75] CR at V-17; PR at V-11.

[76] CR and PR, Table V-5.

importers ship significant quantities of both grades of pipe.[77] While Grade B pipe has a higher yield strength and meets higher tensile requirements than Grade A pipe, there appears to be little difference in end use applications.[78]

Demand for circular welded non-alloy steel pipe is heavily dependent on demand for downstream products such as fencing, plumbing, HVAC systems, and sprinkler systems that use such pipe. Demand tends to follow general economic activity in the U.S. economy.[79] Demand for circular welded non-alloy steel pipe declined between 2000 and 2003, and then rose in 2004; demand was lower in the first half of 2005 than in the first half of 2004.[80] U.S. producers expect demand in the near term to be flat, but one importer expressed the view that demand over the next several years will likely be strong.[81] The majority of circular welded non-alloy steel pipe sold in the United States, whether domestically produced or imported from China, is sold through distributors, with the remainder going to end users.[82]

Unlike some parts of the steel industry, the domestic circular welded non-alloy steel pipe industry has relatively low fixed costs. When the cost of raw materials is high and profit margins are narrowed, producers have the ability to reduce production and, in effect, choose between volume and profits. Accordingly, expectations about prices and profitability in the near term are important to decisions about production levels.

U.S. imports of circular welded non-alloy steel pipe from third countries fluctuated during the period examined. Such imports were higher in 2004 than in 2003, but lower in 2004 than in either 2000 or 2002. Non-subject imports were lower in the first half of 2005 than in the first half of 2004. Circular welded non-alloy steel pipe imports from China accounted for a growing share of total imports at the end of the period examined, and accounted for 25.2 percent of total imports in 2004 and 34.2 percent of total imports in the first half of 2005 (as compared to 18.0 percent in the first half of 2004).[83] China became the largest single supplier country for the first time in 2004, and was the largest supplier in the first half of 2005. Canada, Turkey, and India were the three largest third-country sources of circular welded non-alloy steel pipe imports in 2004, while Canada, Thailand, and Mexico were the three largest sources in the first half of 2005.[84]

Analysis

In performing our analysis, we first considered information relevant to the three statutory factors that relate to our causation analysis – i.e., the volume of subject imports, the effect of subject imports on prices, and the effect of subject imports on the domestic industry. As the data cited above show, imports

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[77] CR and PR, Tables D-1 and D-2.

[78] CR and PR, D-3. The differences between Grade A and Grade B pipe relate to chemical composition, strength of the weld, and production process. The continuous weld process can be used to make Grade A pipe but not Grade B; the ERW process can be used to make both grades. Id. Only Grade B pipe can be used in applications that require Grade B pipe, whereas either grade can be used in applications that allow Grade A pipe. *See also* CR at V 21-22; PR at V-14-15. One distributor reported that most small diameter circular welded non-alloy steel pipe his firm ships in the U.S. market is Grade A pipe, while most large diameter circular welded non-alloy steel pipe that it ships is Grade B pipe, with varying percentages for pipe in the medium sized ranges. Confidential affidavit of ***, a domestic distributor of carbon steel standard pipe and fittings, Exh. 4 of MAN Ferrostaal post-hearing brief.

[79] CR at V-7; PR at V-5.

[80] CR and PR, Table C-1.

[81] CR at V-8; PR at V-6.

[82] CR and PR at V-3.

[83] CR and PR, Table II-1.

[84] CR and PR, Table E-1.

of subject circular welded non-alloy steel pipe from China are increasing rapidly in absolute terms. Although subject imports fell early in the period examined, they have increased each year since 2002 and were at their highest full year level of the period examined in 2004. Subject imports in 2004 were 70 percent above the 2000 level (the next highest annual level in the period examined), and 189.7 percent above the 2003 level. The data show that the largest increase in subject imports from China, in terms of volume, occurred in the second half of 2004 and the first half of 2005. Subject imports from China increased from 87,890 short tons in the first half of 2004 (a level that nearly equaled full year 2003 imports from China) to 179,578 short tons in the second half of 2004, and 185,019 short tons in the first half of 2005. Thus, subject imports from China in both the second half of 2004 and first half of 2005 were more than double the level of the first half of 2004, and in each half were significantly higher than the level in full year 2003.[85]

The rapid increase in subject imports reflected in official U.S. import data is also confirmed by data submitted to the Commission by responding Chinese producers regarding their exports to the United States of circular welded non-alloy steel pipe. The Chinese producers' data show that their exports of circular welded non-alloy steel pipe to the United States have increased each year since 2002, and were at their highest full year level of the period examined in 2004. Their data show that their exports to the United States of the subject product doubled between 2003 and 2004. The data also show that their exports of the subject product increased by the largest amount during the second half of 2004 and the first half of 2005, rising from 97,475 short tons in the first half of 2004 to 166,798 short tons in the second half of 2004, and then falling slightly to 160,048 short tons in the first half of 2005.[86]

Subject imports from China have captured a rapidly increasing share of the domestic market, and the increase coincides with the material injury suffered by the domestic industry. As a share of U.S. apparent consumption, subject imports from China have increased each year since 2002 and were at their highest level of the period examined in 2004, at 11.0 percent. Subject imports accounted for 6.8 percent of U.S. apparent consumption in the first half of 2004 and more than twice that share, 16.6 percent, in the first half of 2005.[87] A comparison of full year 2004 data and first half 2004 data makes it clear that the most significant increase in U.S. market share by the Chinese product began in the second half of 2004, and that the share of the U.S. market held by the Chinese product in this second half approached the 16.6 percent share reported in the first half of 2005. Subject imports from China captured all 3.6 percent of the share of U.S. apparent consumption lost by U.S. producers between 2002 and 2004, and captured nearly all (9.7 percent of the 10.4 percent) of the share of U.S. apparent consumption lost by U.S. producers between the first half of 2004 and the first half of 2005.[88] Information supplied by purchasers who reported purchases of both domestic and Chinese circular welded non-alloy steel pipe showed a shift

[85] CR and PR, Table C-1.

[86] CR and PR, Table IV-2. The data supplied by Chinese producers also show that their exports of circular welded non-alloy steel pipe in 2003 (133,506 short tons) were higher than the quantity reported in U.S. official import statistics that year (92,326 short tons), and in 2004 were nearly the same (264,273 short tons) as the amount reported in U.S. official import statistics (267,468 short tons). Their reported exports in the first half of 2004 (97,475 short tons) that were higher than the amount reported in U.S. official import statistics during that period (87,890 short tons), but in the second half of 2004 and first half of 2005 reported exports of the subject product that were lower than U.S. official import statistics. In the second half of 2004, their reported exports (166,798 short tons) were marginally lower than U.S. official import statistics (179,578 short tons) in the same period, and similarly, in the first half of 2005, Chinese producers reported exports of the subject product to 160,058 short tons, while official U.S. import statistics showed imports of 185,019 short tons. CR and PR, Table IV-2 and Table C-1.

[87] CR and PR, Table C-1.

[88] CR and PR, Table C-1.

toward the Chinese product.[89] Thus, not only have imports of circular welded non-alloy steel pipe from China increased rapidly, particularly since 2002, but they have continued to displace domestically produced circular welded non-alloy steel pipe in the U.S. market.

We do not agree with respondents' argument that recent levels of imports of circular welded non-alloy steel pipe from China should be viewed as representing a return to normal levels, with allowance for modest growth, following the safeguard measures in 2002 and 2003 and an antidumping investigation in 2002. Even if we agreed that 2001 import levels represent an appropriate benchmark for measuring the increase in imports, the data would still show a 70.3 percent increase between 2001 and 2004. Moreover, it is unclear how much the safeguard measures and antidumping investigation affected imports from China during 2002-2003 (or during a longer period that includes 2001, since the antidumping petition was filed in May 2001, and the U.S. Trade Representative requested the safeguard investigation in June 2001). First, the data show that U.S. imports of the circular welded non-alloy steel pipe from China rose significantly in 2003, despite the fact that safeguard tariffs were in place until early December 2003.[90] Second, responding Chinese producers reported significantly higher exports of circular welded non-alloy steel pipe to the United States in 2002 and 2003 than are reflected in official U.S. import statistics for circular welded non-alloy steel pipe from China for those years,[91] which suggests that the subject imports from China may have been higher in those two years than official U.S. import statistics indicate.

The rapid increase in imports from China coincided with continuing significant underselling of the domestic products by the Chinese products, as confirmed by pricing data on specific products. This underselling has suppressed prices in the U.S. market and has resulted in lost sales by domestic producers. As noted above, the domestic and imported products are substitutable, and most purchasers rated them as comparable in quality.[92] Price was ranked high by purchasers on the list of purchasing factors, along with quality and availability.[93]

The Commission gathered pricing data on five products from U.S. producers and importers of the Chinese product. Those data show that each of the five Chinese products surveyed undersold their domestic counterpart product in virtually every quarter for four of the five products during the period examined.[94] The margin of underselling was most pronounced in the second half of 2004 and first half of 2005, when the highest volume of subject imports entered. The five Chinese products not only undersold the domestic product in 18 of the 20 quarters (for the five products) in the second half of 2004 and the first half of 2005, but undersold the comparable domestic products by margins of more than 20 percent in each of those 18 quarters. In the first half of 2005, the five Chinese products undersold the comparable

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[89] CR at V-12; PR at V-9.

[90] The President imposed the relief in March 2002 for a period of 3 years and 1 day in the form of increased tariffs and tariff-rate quotas on a wide range of steel products, including circular welded non-alloy steel pipe. Under the proclamation, the President imposed an additional duty of 15 percent ad valorem on imports of certain pipe products, including circular welded non-alloy steel pipe; this duty was reduced to 12 percent ad valorem in the second year (beginning in March 2003). Proclamation 7299 of March 5, 2002 (67 FR 10533, Mar. 7, 2002). The President terminated all the tariff and tariff-rate quota measures under the proclamation in December 2003.

[91] Responding Chinese producers reported that they exported 120,958 short tons of circular welded non-alloy steel pipe to the United States in 2001, as compared to U.S. official import statistics for 2001 that show subject imports of 157,035 short tons. Corresponding data for 2002 show Chinese producer exports of 46,283 short tons and U.S. imports of 10,114 short tons; and for 2003, Chinese producer exports of 133,506 short tons and U.S. imports of 92,316 short tons. CR and PR, Table C-1 and Table IV-2.

[92] CR and PR, Table V-5.

[93] CR and PR, Table V-4.

[94] CR and PR, Tables V-6 through V-10.

domestic products in all 10 of the 10 quarters by margins of more than 20 percent.[95] These underselling results were confirmed by purchasers, more than 80 percent of whom indicated that the Chinese subject product is lower priced than the comparable domestic product.[96] Our data also show that domestic prices for all five products were falling at the end of the period examined.[97]

The market effects of the lower prices of the Chinese subject product are further demonstrated by the fact that seven of the domestic industry's allegations of lost sales were confirmed; in these instances domestic producers lost business to subject imports from China due in substantial part to the low-priced imports. These lost sales totaled more than 9,000 short tons, and most of the lost sales occurred during the second half of 2004 and the first half of 2005.[98]

We further find that domestic prices were suppressed due to the effects of the rising volume of substitutable subject imports from China. Domestic prices of the principal raw material used to manufacture circular welded non-alloy steel pipe, steel strip, have risen sharply since 2002. However, domestic producers increasingly have been unable to pass along increased costs in the form of higher prices, despite relatively stable domestic demand. As a result, the ratio of the industry's cost of goods sold (COGS) increased from 76.0 percent in the first half of 2004, to 86.4 percent in the second half of 2004 and to 87.4 percent in the first half of 2005.[99] This is also confirmed by data that measure the difference in the change between sales prices per short ton and COGS per short ton for each of the five products on which the Commission gathered pricing data. A comparison of data for the first half of 2004 and the first half of 2005 shows a negative difference for each of the five products, indicating that domestic producers of the five products were unable to pass on the increasing COGS per short ton in the form of higher prices to purchasers.[100] While respondents argue that a recently announced price increase by Wheatland indicates that this is not currently the case, there is no certainty that this announced increase will stick.[101]

We also considered arguments raised by respondents that there is a much longer lag time between ordering and delivery of the Chinese product than for the domestic product, and that this explains much of the difference in price, because the imported product would not reflect the most recent increases in raw material costs. The Chinese respondents argued that the lag time for the Chinese product is about 6 months. However, the evidence indicates that while the lag time for the Chinese product is generally longer than for the domestic product, it is much shorter than the time asserted by respondents, approximately 90 days. Thus, the much smaller difference in lag times between the placement of orders and delivery of the imported and domestic products would not explain the significantly lower price of circular welded non-alloy steel pipe from China, and the difference in lag times did not affect how we performed our financial analysis. Nor does it support respondents claim that the increase in imports during the 18 months ending in June 2005 was in large part a delayed effect and temporary phenomenon resulting from an inventory buildup in anticipation of price increases and shortages in 2004. Moreover, Chinese product sold out of distributor inventory should normally reflect current pricing rather than the pricing in the marketplace that existed when the order was placed with the producer in China.

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[95] CR and PR, Tables V-6 through V-10.

[96] CR and PR, Table V-5. The remaining purchasers indicated that domestic and Chinese DIWF prices were comparable.

[97] CR and PR, Tables V-6 through V-10.

[98] CR and PR, Table V-11. In addition, several purchasers reported that they increased purchases of Chinese product, and they indicated that they did so because of price. CR and PR, Table V-3.

[99] CR and PR, Table C-1. The number for the second half of 2004 is based on the difference between the full year 2004 number and January-June 2004 number.

[100] Staff table 1, attached to Office of Investigations email to Commission, Sept. 30, 2005.

[101] Chinese respondents' post-hearing brief, response to questions of Chairman Koplan, at 3.

We find that there is a direct and significant connection between the rapidly increasing imports of circular welded non-alloy steel pipe from China and the recent suppression and decline in domestic prices of circular welded non-alloy steel pipe and the material injury to the domestic industry. There is a strong correlation between the recent and sharp decline in industry indicators and the rapid increase in circular welded non-alloy steel pipe imports from China since 2002, and particularly since the middle of 2004. Relatively stable U.S. apparent consumption of circular welded non-alloy steel pipe during this period would be expected, in the absence of one or more intervening factors, to lead to stable and rising domestic prices and a domestic industry experiencing stable or improved profitability, production, shipments, employment, and capacity utilization. However, as indicated in the material injury section of these views, the opposite is true. There is evidence of worker layoffs, declining production, shipments, employment, capacity, and capacity utilization, and falling domestic prices. The decline in these industry indicators has occurred particularly since the middle of 2004, and has coincided with the rapid increase in circular welded non-alloy steel pipe imports from China, which has also occurred since the middle of 2004.

As discussed above, the rising volumes of circular welded non-alloy steel pipe imports from China have displaced sales of comparable domestic product, and this has led to reduced domestic production, shipments, sales, and employment. The price suppression caused by the growing imports of low-priced circular welded non-alloy steel pipe is reflected in declining sales revenues and declining operating income. In an industry with relatively high raw material costs and relatively low fixed costs, the industry is more likely to reduce production rather than to continue producing additional short tons unprofitably with high priced raw materials. This has been the reality in the domestic industry producing circular welded non-alloy steel pipe. The choice faced by the industry of either producing additional units at lower prices or maintaining operating profits was a choice caused by low-priced subject imports. In short, imports of circular welded non-alloy steel pipe from China have had a significant negative impact on the domestic industry.

We considered other factors that may be contributing to the condition of the industry, including imports from non-subject countries, and a shift by domestic producers to products other than circular welded non-alloy steel pipe, such as OCTG and line pipe. The Chinese respondents argued that the Chinese imports were largely replacing circular welded non-alloy steel pipe from other foreign sources, such as Taiwan and Korea. This claim is not supported by the evidence. Imports of circular welded non-alloy pipe from Korea declined well before the rapid increase in imports from China in the second half of 2004 and the first half of 2005. In fact, imports from Korea rose in the second half of 2004, before falling in the second half of 2005, by amounts that were only a small fraction of the increases from China.[102] Taiwan was a much smaller supplier than China of circular welded non-alloy pipe throughout the period examined, except in 2002. During the second half of 2004 and the first half of 2005, at a time of the rapid increase in imports from China, imports from Taiwan followed the same pattern as imports from Korea, rising in the second half of 2004 and then falling in the first half of 2005.[103]

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[102] Korea was the largest supplier of circular welded non-alloy pipe imports during 2000-2002. However, imports from Korea have declined each year since 2000, and fell by 71.7 percent between 2002 and 2003. In 2003, imports from Korea were 52,088 short tons, while imports from China were 92,316 short tons. In the first half of 2004, just before the rapid increase in imports from China, imports from Korea were 20,443 short tons. Imports from Korea rose to 29,227 short tons in the second half of 2004, and then fell to 22,465 short tons in the first half of 2005. By comparison, imports of circular welded non-alloy pipe from China were 87,890 short tons in the first half of 2004, 179,578 short tons in the second half of 2004, and 185,019 short tons in the first half of 2005. CR and PR, Table E-1.

[103] During the period examined, imports of circular welded non-alloy steel pipe from Taiwan exceeded imports from China only in 2002. In all other years of the period, imports from Taiwan were less than one-third of the level of imports from China. Immediately before and during the surge in imports from China, imports from Taiwan were 18,230 short tons in the first half of 2004, 22,583 short tons in the second half of 2004, and 10,373 short tons in the

(continued...)

The market share of non-subject countries was virtually unchanged in 2004 and the first half of 2005 when imports from China increased rapidly and domestic industry indicators deteriorated. The market share of non-subject countries fell from 34.0 percent in 2003 to 32.7 percent in 2004, and was 31.2 percent in the first half of 2004, 34.2 in the second half of 2004, and 31.9 percent in the first half of 2005. However, the decline in market share experienced by domestic producers during this period virtually mirrors the gain in market share garnered by Chinese imports of circular welded non-alloy steel pipe. For example, between 2003 and 2004, domestic producers' market share fell by 5.1 percent while Chinese imports' share increased by 5.6 percent. Between the first half of 2004 and the first half of 2005, domestic producers' market share fell by 10.4 percent, while the share of Chinese imports' increased by 9.7 percent.[104]

We also considered whether the decline in economic indicators relating to domestic producers' circular welded non-alloy steel pipe operations may be related to a shift to other pipe products, such as OCTG and line pipe. Fifteen of 16 responding domestic producers reported that they make other pipe products on the same equipment used to make circular welded non-alloy steel pipe and reported their annual capacity for all products and their production of other types of pipe products.[105] They reported that their production of pipe products other than circular welded non-alloy steel pipe has remained about the same since the first half of 2004. While production of OCTG and line pipe increased, production of other non-subject products fell by nearly an offsetting amount.[106] While domestic producers may have shifted some production from circular welded non-alloy steel pipe to other pipe products in the second half of 2004 and first half of 2005, presumably because the other products were more profitable, overall production declined in an amount that approximated the decline in production of circular welded non-alloy steel pipe.

We also considered whether the recent hurricanes in Louisiana and Texas may affect either domestic production or demand for circular welded non-alloy steel pipe. None of the domestic producing facilities are located in the affected coastal areas. While it is possible that some reconstruction contracts will contain "Buy American" provisions that may favor domestic producers, there is little in the record that indicates the extent to which reconstruction is likely to impact demand and prices of circular welded non-alloy steel pipe.[107]

In sum, there are no factors other than the rapid increase in imports of circular welded non-alloy steel pipe from China that explain the recent and sharp decline in economic indicators for the domestic industry over the period examined. Accordingly, we find that the rapidly increasing imports of circular welded non-alloy steel pipe from China are a significant cause of material injury to the domestic industry.

E. Conclusion

As explained above, we find that market disruption exists due to rapidly increasing imports from China that are a significant cause of material injury to the domestic industry producing circular welded non-alloy steel pipe. We find, as noted above, that the subject circular welded non-alloy steel pipe

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[103] (...continued)
first half of 2005. CR and PR, Table E-1.

[104] CR and PR, Table C-1.

[105] CR at III-3; PR at III-1.

[106] Responding producers reported that their production of other pipe products on equipment used in producing circular welded non-alloy steel pipe was 1,516,153 short tons in the first half of 2004, 1,512,781 short tons in the second half of 2004, and 1,566,452 short tons in the first half of 2005. CR and PR, Table III-2.

[107] At the hearing Mark Magno, vice president for sales and marketing for Wheatland Tube, testified that his firm did not view Hurricane Katrina as likely to have a significant impact on demand for circular welded non-alloy steel pipe. Tr. at 232, 245. *See* similar testimony of Mr. Boggs at tr. at 248.

imports from China are "in such increased quantities" as to cause market disruption to domestic producers.[108] The significant increase in volume and shipments of such imports coincided with the continued significant underselling of the domestic products by the subject imports and the declining prices of both. It also coincided with the recent and sharp decline in industry indicators. The rising volumes of circular welded non-alloy steel pipe imports from China have displaced comparable domestic sales, and this displacement has led to reduced domestic production, shipments, sales, capacity utilization, and employment, and contributed to the industry's declining financial results.

We therefore make an affirmative determination that certain circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of circular welded non-alloy steel pipe.

[108] For purposes of this determination we consider the "domestic producers" to be the domestic industry as defined earlier in these views.

II. VIEWS ON REMEDY

A. Remedy Proposal

For the reasons set forth below, we propose the following action to remedy the market disruption we find to exist –

> We propose that the President impose an annual quota of 160,000 short tons for a period of 3 years on imports of circular welded non-alloy steel pipe from China.

We find that this action is the relief that will remedy the market disruption we have found to exist.

We also propose that the President direct the U.S. Department of Commerce and U.S. Department of Labor to provide expedited consideration of petitions for trade adjustment assistance filed by domestic firms or workers producing the subject circular welded non-alloy steel pipe.

B. Statutory Framework

Section 421(f) of the Trade Act of 1974 (19 U.S.C. § 2451(f)) provides that the Commission, upon making an affirmative determination, "shall propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption." It provides that only those Commissioners who agreed in the affirmative determination are eligible to vote on remedy. Neither the statute nor its legislative history provides any further guidance or instruction on remedy.

Section 421(f) thus authorizes the Commission to propose as a remedy any import restriction. The Commission's proposed remedy could take the form of increased duties, a tariff-rate quota, a quantitative restriction, or other import restriction.[109]

Section 421(g)(2)(D)[110] requires that the Commission's report to the President and the U.S. Trade Representative include a description of–

> (i) the short- and long-term effects that implementation of the action recommended . . . is likely to have on the petitioning domestic industry, on other domestic industries, and on consumers; and
>
> (ii) the short- and long-term effects of not taking the recommended action on the petitioning domestic industry, its workers, and the communities where production facilities of such industry are located, and on other domestic industries.

[109] 19 U.S.C. § 2481.

[110] 19 U.S.C. § 2451(g)(2)(D).

C. Conditions of Competition

We considered the conditions of competition in the domestic market and likely developments affecting such conditions during the next several years in evaluating the various remedy options. Circular welded non-alloy steel pipe is sold primarily through distributors, with the remainder sold directly to end users.[111] The vast majority (at least 90 percent) is sold commercially, as opposed to consumed internally or sold to related firms.[112] U.S. producers and importers generally maintain a sufficiently large inventory of circular welded non-alloy steel pipe so as to be able to respond quickly to customer needs. U.S. producers ship a broad range of types and sizes of circular welded non-alloy steel pipe, and virtually all types and sizes are available from at least one U.S. producer.

Many purchasers buy circular welded non-alloy steel pipe from both domestic and foreign sources.[113] Most imported and domestic circular welded non-alloy steel pipe is made to the same independent American Society for Testing and Materials (ASTM) standards.[114] A majority of responding U.S. producers, importers, and purchasers reported that the imported and domestic products are used interchangeably in end uses.[115] While a majority of purchasers reported that the domestic and Chinese products were comparable with respect to several factors (i.e., discounts, minimum quantity requirements, packaging, quality, product range, and U.S. transportation costs), there were noted differences. A majority of responding purchasers reported that the U.S. product was superior to the Chinese product with regard to availability, delivery time, product consistency, reliability of supply, technical service, and transportation network.[116] A majority of purchasers also reported that they and their customers are aware of the country of origin of circular welded non-alloy steel pipe.[117] Furthermore, a large majority reported that prices of Chinese product were lower than U.S. product.

(*1*) Demand Conditions

Circular welded non-alloy steel pipe is used in a variety of applications including commercial and residential fencing, plumbing, transmission of air, water, and gas, and in sprinkler systems. Thus, the demand for circular welded non-alloy steel pipe depends on the level of demand for downstream products using these pipe products. Several U.S. producers and importers reported that the demand for circular welded non-alloy steel pipe tends to follow general economic activity in the U.S. economy.[118]

U.S. apparent consumption of circular welded non-alloy steel pipe fluctuated during the period examined, declining each year between 2000 and 2003, and then rising in 2004; demand was 5.2 percent lower in 2004 than in 2000. In the most recent period, U.S. apparent consumption was 1,288,509 short tons in the first half of 2004, and then declined to 1,143,750 short tons in the second half of 2004, and declined again to 1,117,722 short tons in the first half of 2005. The level in the first half of 2005 was 13.3 percent below the level in the first half of 2004.[119] U.S. producers expect demand in the near term to

[111] CR and PR at V-3.

[112] CR at V-7; PR at V-5.

[113] CR at V-12; PR at V-9.

[114] CR at I-9; PR at I-7.

[115] CR at V-16; PR at V-11.

[116] CR at V-14; PR at V-9.

[117] CR at V-11; PR at V-8.

[118] CR at V-7; PR at V-5.

[119] CR and PR, Table C-1.

be flat, but one importer expressed the view that demand over the next several years will likely be strong.[120]

(*2*) Domestic Supply Conditions

Domestic producers had significant unused capacity to produce circular welded non-alloy steel pipe throughout the period examined. In the most recent period, the first half of 2005, domestic producers of circular welded non-alloy steel pipe operated at 44.9 percent of capacity, which was down 14.8 percentage points from the level in the first half of 2004.[121] Domestic producers that also produce other pipe products on the same equipment as circular welded non-alloy steel pipe also reported significant overall unused capacity on this equipment.[122] The domestic industry maintains a moderate level of inventories of circular welded non-alloy steel pipe. During the period examined, the ratio of inventories (end-of-year) to shipments fluctuated within a relatively narrow range – between 12.7 percent to 15.1 percent. At the end of the first half of 2005, the ratio of inventories to total shipments was 14.8 percent.[123] U.S. producers export only a small part of their shipments (less than 4 percent throughout the period examined).[124] Thus, current inventories and low capacity utilization would allow U.S. producers to increase shipments in response to increased sales opportunities.

(*3*) Import Supply Conditions

China is the largest source of circular welded non-alloy steel pipe imports in the U.S. market. Imports of circular welded non-alloy steel pipe from China have increased significantly since 2002, with the largest amount of this increase (in terms of volume) occurring in the second half of 2004 and first half of 2005.[125] Chinese producers who responded to Commission questionnaires reported progressively higher circular welded non-alloy steel pipe capacity and production in each year of the period examined, and reported higher capacity and production in the first half of 2005 than in the first half of 2004. However, they project that their full year 2005 and 2006 capacity and production will essentially stabilize at the 2004 level, with capacity increasing by less than 1 percent, and production declining by less than 1 percent. The responding Chinese producers reported capacity utilization rates for their circular welded non-alloy steel pipe facilities were between 76.9 percent and 81.6 percent during the period examined, and they project that their rates will remain within this range in full year 2005 and in 2006.[126] These data indicate that Chinese producers of circular welded non-alloy steel pipe currently have significant unused capacity and expect this condition to continue through 2006.

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[120] CR at V-8; PR at V-6.

[121] CR and PR, Table C-1.

[122] Production and capacity data that the Commission obtained from those producers show that they had significant unused capacity throughout the period examined to produce all products manufactured on this equipment, including circular welded non-alloy steel pipe. CR and PR, Table III-2.

[123] CR and PR, Table C-1.

[124] Export shipments accounted for between 2.0 percent and 3.1 percent of U.S. producers' shipments during the period examined. Export shipments accounted for 2.7 percent of U.S. producers' shipments in full year 2004, and 2.2 percent in the first half of 2005. CR and PR, Table III-4.

[125] CR and PR, Table C-1.

[126] CR and PR, Table IV-2.

The Commission also obtained data from Chinese producers on their end-of-period inventories. These data indicate that such inventories increased significantly from 2000 to 2001, but then declined through 2004. Chinese producers project inventory declines in full year 2005 and in 2006.[127]

Chinese producers ship significant quantities of circular welded non-alloy steel pipe to third-country markets, and the amount shipped increased significantly over the period examined. The shares shipped to third-country markets and the U.S. market fluctuated widely over the period examined, with the U.S. market accounting for a higher share than third-country markets in 4 of the 5 years. However, the relative shares were almost equal, and Chinese producers reported that they shipped more circular welded non-alloy pipe to third-country markets than the U.S. market in the first half of 2005. Reporting Chinese producers project that their shipments to third-country markets will increase further in full year 2005 and in 2006, but project that their shipments to the U.S. market will decline in each of those years, as compared to shipments in 2004.

The United States imports significant quantities of circular welded non-alloy steel pipe from third countries. Canada, Turkey, India, Thailand, Korea, Mexico, and Taiwan, in that order, were the largest sources of third-country imports in 2004.[128] The share of the U.S. market held by third-country imports declined by a small amount between 2000 and 2004,[129] and was slightly higher in the first half of 2005 than in the first half of 2004, indicating that virtually all of the increase in U.S. market share captured by Chinese producers in the latter part of the period examined came at the expense of U.S. producers, with virtually none at the expense of third-country producers.

In view of the large increase in circular welded non-alloy pipe imports from China since 2002, the recent increases in Chinese circular welded non-alloy pipe capacity and production, and significant unused Chinese production capacity, Chinese circular welded non-alloy pipe producers have the capability to continue to increase shipments of circular welded non-alloy pipe to the United States even though they project declines in their circular welded non-alloy pipe shipments to the United States in full year 2005 and in 2006.[130]

D. Proposed Relief

As indicated above, the statute authorizes the Commission to "propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption." We find that imposition of a quota on imports of the subject circular welded non-alloy pipe from China, in the amount and for the duration proposed below, is necessary to remedy the existing market disruption.

In determining what remedy to propose, we took into account the submissions of the parties. Both petitioners and respondents recommended that the Commission propose a quota. Petitioners urged that the Commission propose a quota of 90,000 tons annually for a period of five years, with the quota increasing by 5 percent per year. Petitioners favor a quota because Chinese producers have the capacity

[127] CR and PR, Table IV-2.

[128] Third-country producers' share of the U.S. market declined irregularly between 2000 and 2004 from 36.1 percent in 2000 to 32.7 percent in 2004; third-country market share was 31.2 percent in the first half of 2004, and 31.9 percent in the first half of 2005. CR and PR, Table C-1.

[129] Third-country producers' share of the U.S. market declined irregularly between 2000 and 2004 from 36.1 percent in 2000 to 32.7 percent in 2004; third-country market share was 31.2 percent in the first half of 2004, and 31.9 percent in the first half of 2005. CR and PR, Table C-1.

[130] CR and PR, Table IV-2.

"to flood the U.S. market," and they view Chinese producers and importers as likely to absorb much of a tariff increase.[131]

The Chinese respondents state that if import restrictions are imposed, they prefer quotas to tariffs, and suggest a quota level of 365,000 tons, for a 3-year period, allowing for growth at 5 percent per year. They favor quotas over tariffs because they do not view price as the problem. Citing Article 5 of the WTO Agreement on Safeguards, they imply that any safeguard action under section 421 in the form of an import quota must allow importation of at least the quantity of goods entered during a recent representative period, and express the view that the most recent representative period is the 1 year period July 2004-June 2005.[132] Respondent/importer MAN Ferrostaal expressed agreement with the recommendation of the Chinese respondents. They expressed the view that a quota would be easy to administer, predictable, and be the least trade distorting of the potential remedies. By contrast, MAN Ferrostaal stated that a tariff would encourage Chinese imports to be replaced by other imports, and a tariff-rate quota would be prone to errors and uncertain enforcement.[133] They also asked that the Commission exclude dual- and multiple-stenciled pipe from any remedy because of the administrative burden that an end-use certification program would impose, or, in the alternative, that the Commission delay implementation of an end-use certification program until the need arises.[134]

In deciding what type and amount of relief was necessary to address the market disruption, we took into account the following: (1) the market disruption that we found to exist, (2) the fact that China was a supplier at non-disruptive levels earlier in the period examined, (3) the timing and amount of the surge in injurious imports, (4) the fact that both U.S. producers and Chinese producers have significant unused capacity, and (5) the arguments of the parties. We considered the various options available to us, including a simple tariff, a tariff-rate quota, and a quota. However, after considering the various options, we found that a quota is the most appropriate form of remedy in this case because it will reduce imports to the level necessary to remedy market disruption. We have considered whether a quota could lead to shortages or other market disruptions, and there is no evidence of any such potential negative impacts under the quota that we are proposing. There is significant unused domestic capacity to produce circular welded non-alloy steel pipe, and there also are numerous third-country suppliers that could fill any shortages that might arise.[135] Moreover, we find that a quota will be the most effective remedy in addressing the market disruption we have found because it will allow a reasonable level of subject imports to enter without disrupting the U.S. market.

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[131] Petitioners' pre-hearing brief at 26-27. *See also* petitioners' post-hearing brief at 30-31, and petitioners' final comments on remedy at 1-2.

[132] Id. at 8-9. They do not cite a similar requirement in U.S. law applicable to Commission proposals under the U.S. China safeguard law or indicate why provisions in the WTO Safeguards Agreement, which applies to global safeguard investigations, are necessarily applicable to China specific safeguard actions under China's WTO accession agreement. Nor do they explain why they base their quota recommendation on imports during a 1-year period rather than the 3-year period called for in Article 5 of the WTO Safeguards Agreement.

[133] MAN Ferrostaal final comments on remedy at 2-5.

[134] They suggested that the Commission follow the U.S. Department of Commerce under the antidumping law of using such certifications in connection with antidumping duty orders only when certain preconditions are met – i.e., when the petitioner or other interested parties provide a reasonable basis to believe or suspect that the products are being utilized in a covered application. They assert that there is currently no reason to believe or suspect that there are imports that would require certifications. MAN Ferrostaal final comments on remedy at 5-7.

[135] The facts here are in contrast with those in Investigation No. TA-421-4, *Ductile Iron Waterworks Fittings.* In that case, in which we proposed a remedy in the form of a tariff-rate quota, we noted that the petitioner had asserted that current import data significantly understated the level of subject imports from China, and we expressed concern that a quota might result in shortages if the petitioner was correct in its assertion.

We propose that the quota be set at 160,000 short tons per year, for each of the next 3 years. This level is the approximate average amount of imports that entered in 2000 and 2001, and reflects an amount that is well above the amounts entered in 2002 and 2003. We regard imports in all 4 of those years as predating market disruption.[136] The proposed quota of 160,000 short tons for each of the next 3 years would hold Chinese imports at a constant level, and allow prices to adjust to levels that more accurately reflect the cost of production, including the cost of raw materials.[137] As we noted in our views on market disruption, the domestic circular welded non-alloy steel pipe industry has relatively low fixed costs, and therefore decisions related to production are closely related to prices, variable costs such as raw material costs, and expected profit margin. The proposed quota also reflects the fact that U.S. apparent consumption of circular welded non-alloy steel pipe trended downward during the period examined, and is projected by domestic producers to remain flat. Finally, it would be in line with declines in Chinese exports to the United States projected by responding Chinese producers, should those projections prove to be accurate. Responding Chinese producers projected that the Chinese exports to the U.S. market would decline (absent relief) to 194,269 short tons in 2006, from a projected 233,771 short tons in full year 2005; even a modest continuation of that trend in 2007 and 2008, the second and third years of our remedy period, would place Chinese exports to the U.S. market at or below the 160,000 short tons we propose.[138]

We considered the quota levels recommended by both petitioners and respondents. We regard the 90,000 short tons recommended by petitioners, which is substantially below the average of 160,451 short tons entered in 2000 and 2001, as more restrictive than necessary to remedy the market disruption.

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[136] We note that the Chinese respondents refer to the "representative years" provision in Article 5 of the WTO Agreement on Safeguards. Article 5:1 states that if a quantitative restriction is used, such measure "shall not reduce the quantity of imports below the level of a recent period which shall be the average of imports in the last three representative years for which statistics are available . . . ." They imply that any quota that the Commission proposes under section 421 must conform with this provision. While there is a similar provision in section 203(e)(4) of the Trade Act of 1974, the U.S. global safeguard law, there is no such provision in section 421. Had section 421 contained a provision similar to that in section 203(e)(4) of the Trade Act, we would find that 2000 and 2001, and probably 2003, "are the most recent 3 years that are representative of imports." The pending antidumping and global safeguard investigations in 2001 and the higher duties in place on the subject imports between March 2002 and December 2003, likely affected import levels at least to some degree between 2000 and 2003, initially by accelerating imports in anticipation of an antidumping duty order or safeguard measures (in 2001 and even in 2000, when the investigations were pending or the subject of speculation), and later, when the safeguard duties were in place (March 2002 to December 2003). The quota that we propose approximately equals the average of subject imports in 2000 and 2001 (160,451 short tons), and is significantly higher than a 3-year average that includes subject imports in 2000, 2001, and 2003 (137,739 short tons). This is also significantly higher than the average of 144,695 short tons of subject product that responding Chinese producers reported that they exported to the United States during those 3 years. (For data, *see* CR and PR, Table IV-2.) If 2002, instead of 2003, is considered as the third year for purposes of a 3-year representative period, the 3-year average for subject imports would be even lower, 110,338 short tons, than the 3-year average for 2000, 2001, and 2003.

In their pre-hearing brief (page 12), Chinese respondents argue that the Commission should regard import levels in 2001 as the "proper benchmark" for measuring the rapid increase in imports, because it reflects the level of subject imports immediately preceding 2002 and 2003, the 2 years in which the safeguard measures were in place. This suggests that they view the import level in 2001 as "representative" of subject imports. This argument is at variance with their argument, noted above, that the Commission should regard July 2004-June 2005 as the representative period for purposes of a minimum quota level. Subject imports in 2001 were 157,035 short tons, which is less than the 160,000 quota that we propose.

[137] The data indicate the cost/price squeeze impact of disruptive, rapidly increasing imports. In the first half of 2005, COGS were $315 per ton higher than in the first half of 2004. However, in the first half of 2005, net sales increased by only $263 per ton over their level in the first half of 2004.

[138] For responding Chinese producers' projections, *see* CR and PR, Table IV-2.

We regard the 365,000 short tons recommended by respondents, which corresponds to the period in which imports rapidly increased and the domestic industry was materially injured, as perpetuating the market disruption we have found, rather than remedying it.

We also considered the arguments made by petitioners and respondents with respect to the dual- and multiple-stenciled pipe. While none of the responding Chinese producers reported that they exported such dual- or multiple stenciled pipe to the United States during the period examined,[139] they reported that they, like domestic producers, produce a significant quantity of other pipe products, including line pipe, on the same equipment used to produce circular welded non-alloy steel pipe.[140] Thus, Chinese producers have the capacity to produce dual- and multiple-stenciled pipe that meets both ASTM specifications for circular welded non-alloy steel pipe and, for example, API specifications for line pipe. We believe that exclusion of such dual- and multiple stenciled pipe from any remedy, as requested by the respondents, would provide the opportunity, depending on the form and amount of the remedy, for significant circumvention of a remedy action. For this reason, we have included all of the various forms of pipe covered by the scope of our investigation within the scope of our remedy.

E. Short and Long-Term Effects of the Recommended Remedy

We believe that the quota we have proposed will address the market disruption found to exist in the domestic circular welded non-alloy steel pipe industry and does not exceed the amount necessary to remedy the market disruption to domestic producers.

The proposed action is intended to remedy the market disruption caused by the rapid increase in imports of circular welded non-alloy steel pipe from China since the middle of 2004, which is reflected in steeply declining production, shipments, sales, capacity utilization, employment, and profit levels in the domestic industry. Since U.S. producers currently have a substantially larger U.S. market share than non-subject imports, and since the estimated percentage changes in the quantity of domestic shipments and non-subject imports are fairly similar, the relief that we propose will likely benefit U.S. producers, as the absolute quantity of domestic product shipped will be larger than that of non-subject imports.

In the absence of appropriate relief, we find it likely that the domestic industry's economic indicators will decline further, reflecting further declines in production, employment, and profitability (and growing losses for some firms). Chinese producers of circular welded non-alloy steel pipe have significantly increased their share of the U.S. market since the middle of 2004, almost entirely at the expense of U.S. producers. While Chinese producers that responded to the Commission's questionnaire project that Chinese capacity, production, and shipments to the U.S. market will all decline in 2006, that is unlikely given the steady rise in Chinese capacity and production throughout the period examined, and the recent rapid increase in Chinese exports to the U.S. market.[141] Thus, there is every reason to believe that, in the absence of appropriate relief, imports of Chinese circular welded non-alloy steel pipe will remain at disruptive levels, the domestic industry will be unable to implement additional needed investments, and the industry will likely be forced to close plants and lay off even more workers.

Although the statute does not specifically require that we consider industry adjustment in proposing a remedy, the proposed quota will be of relatively short duration and offer the domestic industry only a short period to make any appropriate adjustments. If U.S. producers are correct in their projection that U.S. apparent consumption of circular welded non-alloy steel pipe will be flat during the

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[139] CR and PR, Table I-2. However, U.S. producers reported that a small percentage of their shipments of circular welded non-alloy steel pipe during the period examined were stenciled to meet both ASTM and API specifications. Id.

[140] They reported that these other products accounted for 40.7 percent of the pipe produced on that equipment in 2004, and circular welded non-alloy steel pipe accounted for the remaining 59.3 percent. CR and PR, Table IV-3.

[141] For Chinese projections, *see* CR and PR, Table IV-2.

next several years, the quota may provide domestic producers with the opportunity to further consolidate and modernize their pipe-making facilities.

The effect of the proposed relief action on purchasers of circular welded non-alloy steel pipe is likely to be small, as circular welded non-alloy steel pipe represents only a small part of the cost of the plumbing systems and construction projects in which it is used, and there is substantial unused domestic capacity to offset a reduction in imports from China. Over the longer term, any significant reduction in domestic capacity that would occur in the absence of appropriate relief may decrease the number of alternative suppliers and could lead to increased delivery times and prices. We believe that the short- and long-term benefit to the U.S. producers from our proposed relief, and the long-term benefits to customers that would be derived from a healthy and efficient domestic industry, will far outweigh any resulting short-term effect on distributors and their customers.

The following table presents a quantitative analysis of the remedy we have proposed. The likely effects were estimated using the COMPAS model developed by the Commission's Office of Economics. We note that although we did not ultimately base our recommendation in this investigation on these results, it is the standard method to quantitatively assess the probable impact of the different remedies in safeguard investigations.

Table 1:
U.S. circular welded non-alloy steel pipe industry effects: Quota at 160,000 short tons

(In percent unless otherwise noted)	
Domestic price	0.7 to 1.5
Domestic quantity	5.3 to 6.6
Domestic revenue	6.6 to 7.7
China price	16.7 to 26.5
China quantity	-56.1
Nonsubject price	0.6 to 1.4
Nonsubject quantity	5.9 to 7.2
U.S. apparent consumption (*short tons*)	2,161,800 to 2,186,207
Consumer costs (*$1,000*)	-40,300 to -69,400
Net welfare effects (*$1,000*)	-31,829 to -52,424

VIEWS OF COMMISSIONERS JENNIFER A. HILLMAN AND SHARA L. ARANOFF

I. VIEWS ON MARKET DISRUPTION

While we join Chairman Koplan and Commissioner Lane in reaching an affirmative determination in this investigation, we do not find that the U.S. circular welded non-alloy steel pipe industry is currently suffering market disruption as a result of rapidly increasing imports from the People's Republic of China. We determine that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to threaten to cause market disruption to the domestic producers of circular welded non-alloy steel pipe. We do, however, join in the Commission's views on Like Product and Domestic Industry.

A. Statutory framework

The determination that the Commission must make is set out in section 421(b)(1) of the Trade Act, which states in part that the Commission, upon the filing of a petition or receipt of a request or resolution, shall promptly conduct an investigation –

> to determine whether products of the People's Republic of China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

The term "market disruption" is defined in section 421(c)(1) to exist –

> whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.

Section 421(d) provides that the Commission, in determining whether market disruption exists, shall consider objective factors, including –

> (1) the volume of imports of the product which is the subject of the investigation;
>
> (2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and
>
> (3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.

Section 421(d) further provides that the presence or absence of any of these three factors "is not necessarily dispositive of whether market disruption exists."

B. Rapidly increasing imports

Statutory framework. To determine if market disruption exists, the Commission must find that imports of the subject product from China "are increasing rapidly, either absolutely or relatively," and that such imports are a "significant cause of material injury, or threat of material injury, to the domestic

industry." In this section, we examine whether imports are increasing "rapidly" in either absolute or relative terms.

Arguments of the parties. Petitioners contend that imports of circular welded non-alloy steel pipe from China have increased rapidly in both absolute and relative terms.[1] Using Commission data, petitioners state that subject imports increased by 103,602 tons, or by 63.2 percent, during the period 2000-2004, and by 257,354 tons, or 2,544.5 percent from 2002-2004 . They assert that subject imports, already at a high level in the first half of 2004, continued to surge in the second half of 2004 to 179,578 short tons, or more than twice the level achieved in the first half of 2004. They state that subject imports continued to accelerate in the first half of 2005 and were 110.5 percent higher than in the comparable period of 2004.[2] Petitioners also argue that subject imports for September 2005 will exceed the monthly average achieved in the first half of 2005, indicating that subject imports are continuing at a high level.[3]

Respondents argue that there has been no rapid increase in subject imports under any of the possible statutory measures.[4] They claim that imports of circular welded non-alloy steel pipe from China were artificially restricted in 2002 and 2003 by the combination of U.S. global safeguard measures on steel products, which were implemented in 2002, and the antidumping investigation on subject products from China that was initiated in 2001.[5] These measures, together with other conditions of competition including panic buying in steel markets in 2004 and long lead times for the Chinese product, skew the data.[6] Because of this, respondents argue that 2001 import levels provide the most appropriate benchmark for determining whether imports are increasing rapidly. When viewed in this context, respondents assert that the increase in imports between 2001 and 2005 has been modest - 100,000 net tons, amounting to 4 percent of average domestic consumption and 6.6 percent of domestic shipments during the period of investigation.[7] Respondents conclude that Chinese exports are simply returning to normal growth levels. They assert that, in light of the fact that subject imports began entering the U.S. in 1996, the import trend merely represents a slow, sustained growth pattern that predates the investigation period.[8]

Finding. We find that imports of circular welded non-alloy steel pipe from China are increasing rapidly in both absolute and relative terms.

In absolute terms, imports from China declined from 163,866 short tons in 2000 to 157,035 short tons in 2001, and to 10,114 short tons in 2002. The decline in 2001 was in part attributable to market uncertainty resulting from the Commission's antidumping investigation on circular welded non-alloy steel pipe from China and from the Commission's global safeguard investigation of steel products, both of which were initiated in that year.[9] The significant decline of subject imports in 2002 was likely attributable to the Commission's affirmative determination in the safeguard investigation and the

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[1] Petitioners' pre-hearing brief at 4-5.

[2] Petitioners' pre-hearing brief at 4-5.

[3] Petitioners' post-hearing brief at 3.

[4] Chinese respondents' pre-hearing brief at 6.

[5] Chinese respondents' pre-hearing brief at 7-8.

[6] Chinese respondents' pre-hearing brief at 8-10.

[7] Chinese respondents' pre-hearing brief at 12.

[8] Chinese respondents' pre-hearing brief at 12.

[9] The Commission's antidumping investigation resulted in a negative determination, while the Commission's safeguard investigation resulted in an affirmative determination. See *Circular Welded Non-Alloy Steel Pipe From China*, Inv. No. 731-TA-943 (Final), USITC Pub. 3523 (July 2002); and *Steel, Volume I: Determinations and Views of the Commissioners*, Inv. No. TA-201-73, USITC Pub. 3479 (Dec. 2001).

President's subsequent proclamation on March 5, 2002, imposing temporary import relief for a three year period on imports of certain carbon and alloy welded steel tubular products, including subject pipe.[10] In accordance with the President's proclamation, the 15 percent *ad valorem* tariff imposed in the first year of the measure was reduced to 12 percent in March 2003, and the President terminated the steel safeguards on December 4, 2003.[11] Imports of circular welded non-alloy steel pipe from China then increased from 10,114 short tons in 2002 to 92,316 short tons in 2003 and reached 267,468 short tons in 2004. Most of the increase in 2004 occurred during the second half of the year, when imports surged to179,578 short tons from 87,890 short tons in the first half of the year.[12] Imports increased further in the first half of 2005, reaching 185,019 short tons during the January to June period. Further, the Commerce Department's Steel Import Monitoring and Analysis System ("SIMA") shows that the quantity of subject imports averaged 29,019 short tons each month during July to September 2005, indicating that imports in the second half of the year continue at a high level.[13]

In relative terms, the ratio of subject imports to U.S. production increased from 10.8 percent in 2000 to 11.6 percent in 2001, before declining to 0.7 percent in 2003. The ratio rose to 7.2 percent in 2003 and to 18.9 percent in 2004. During the 2005 interim period, the ratio was 31.5 percent as compared to 10.7 percent during the same period in 2004.[14] The ratio of subject imports to U.S. consumption rose from 6.4 percent in 2000 to 6.8 percent in 2001, before falling to 0.5 percent in 2002. The ratio then rose to 4.4 percent in 2003 and to 11.0 percent in 2004. During the 2005 interim period, Chinese subject pipe held a 16.6 percent share of the U.S. market as compared to 6.8 percent during interim 2004.[15]

Respondents asserted that subject import volumes were impacted by inventory build-up resulting from panic buying in late 2004 and early 2005, tied to a substantial increase in raw material costs, particularly hot-rolled steel, which accounts for over 70 percent of the subject pipe's cost of production. While there was a push toward increased purchases of circular welded non-alloy pipe that began in late 2004 that was related in part to rising raw material costs, shipments of imports of the Chinese product did not slow toward the end of the third quarter 2005, contrary to respondents' arguments. Rather, in July, August and September, 2005, subject import volumes continued at a high level.[16] While subject import

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[10] *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Ceratin Steel Products*, 67 FR 10553 (March 7, 2002). The safeguard measures were applied to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico, and developing countries that are members of the World Trade Organization (WTO), whose share of total imports of a particular product did not exceed 3 percent (provided that imports that are the product of all such countries with less than 3 percent imports share collectively accounted for not more than 9 percent of total imports for the product).

[11] *Presidential Proclamation 7741 of December 4, 2003, To Provide for the termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483 (December 8, 2003).

[12] The amount reported above was calculated by subtracting 87,890 short tons, which is the quantity reported for the period January to June 2004, from 267,468 short tons, which is the amount reported for all of 2004. See CR/PR at Table C-1.

[13] The SIMA data on record shows that the quantity of imports of circular welded non-alloy steel pipe from China totaled 30,287 short tons in July 2005, 32,330 short tons in August 2005, and 24,441 short tons in September 2005. The information on record for September only included data reported through September 27. CR at IV-12; PR at IV 8-9.

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

[15] CR/PR at Table V-1.

[16] CR/PR at Table E-2. Respondents argued throughout this proceeding that evidence of Chinese import volumes moderating could be found if an analysis were carried out on the lag time between order and entry of the subject imports, positing a 6-month lag period. While there likely has been some lag effect on the subject import data, more

(continued...)

volumes registered a decrease in September 2005,[17] we do not find this argument to be persuasive evidence that subject imports have begun any sustained decline. The ports of New Orleans and Houston closed for several days in August and September 2005, following Hurricanes Katrina and Rita, thus likely depressing the total volume of subject imports entered in September. Further, the data cited are preliminary and are likely to increase once all September imports are entered.[18]

We also considered the arguments made by the respondents with respect to their characterization of subject imports returning to "normal" growth levels after the "market distorting" effects of the safeguard measures in 2002-2003 and the market uncertainty resulting from the antidumping investigation in 2002. For purposes of assessing whether subject imports are increasing rapidly, however, we believe the statute directs the Commission to examine the increase and rate of increase in subject imports, rather than the reasons for fluctuations in the levels of imports during the investigation period. We do not agree with respondents' suggestion that data from the year 2001 merits special attention as a so-called benchmark against which to measure increases in imports. In determining that the increase in imports of circular welded non-alloy steel pipe from China has been rapid in both absolute terms and relative to domestic production and consumption, we considered data from each year of the investigation period and noted that the increase was most pronounced at the end of the investigation period, particularly during the last half of 2004 and first half of 2005. Therefore, we find that imports of circular welded non-alloy steel pipe from China are increasing rapidly in both absolute and relative terms.

C. Rapidly increasing imports from China are a significant cause of the threat of market disruption to the domestic industry

Statutory framework. The statute states that "market disruption" exists whenever imports of an article are increasing rapidly "so as to be a significant cause of material injury or threat of material injury" to the domestic industry. The statute defines the term "significant cause" to mean "a cause which contributes significantly to the material injury of the domestic industry, but need not be equal to or greater than any other cause."

By contrast, neither the statute nor legislative history explicitly defines the terms "material injury or threat of material injury." The statute does, however, direct the Commission to consider three factors in determining whether market disruption exists: (1) the volume of imports of the product which is the subject of the investigation; (2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and (3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.[19] The statute makes clear that the presence or absence of any one of these factors is not dispositive of whether market disruption exists. While the statute and its legislative history do not cross-reference any definitions under Title VII of the Tariff Act of 1930, Section 406 of the Trade Act of 1974[20], or Section 201 of the Trade Act, we note that the three factors are quite

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[16] (...continued)
recent evidence undercuts this lag time argument, showing offers to sell the Chinese product with lead times as short as two months. Petitioners' post-hearing brief, Exhibit 7.

[17] CR at IV-12; PR at IV 8-9. We note that data for September 2005 are incomplete, through September 27, 2005, and are based on SIMA licensing data, not actual imports.

[18] Petitioners' predicted that as adjustments to SIMA data continue to reflect landed entries of subject pipe, the total volume entered in September 2005 will likely exceed 30,000 short tons. Entries at these two ports account for about 45 percent of all subject imports. Petitioners' post-hearing Brief, pp. 3-4.

[19] 19 U.S.C. § 2451(d).

[20] Section 406 of the Trade Act of 1974 (19 U.S.C. 2436) provides a remedy in the case of market disruption from Communist countries. China previously has been regarded as a Communist country. The legislative history of
(continued...)

similar to those the Commission is required to examine in cases under Title VII and are distinct from the factors Congress set forth under Section 202 of the Trade Act. We also note that Section 406 does not define "material injury," but its legislative history contrasts the term with "serious" injury used in section 201 –

> the market disruption test is intended to be more easily met than the serious injury tests in section 201. . . . the term "material injury" in section 406 is intended to represent a lesser degree of injury than the term "serious injury" standard employed in section 201.[21]

Therefore, in the absence of express direction in section 421, we find that "market disruption" in section 421 cases represents a lesser degree of injury than "serious injury" under Section 202 and is more analogous to the degree of injury required in Title VII cases.[22] This lesser degree of injury applies for both "present" injury and "threat" analyses.

As noted above, neither section 421 nor its legislative history defines the term "threat" of material injury, or cross references another definition. Section 406 of the Trade Act does not define the term either, but section 202(c)(6)(D) of the Trade Act of 1974[23] defines "threat of serious injury" to mean "serious injury that is clearly imminent."[24]

In the absence of express direction in section 421, we find it appropriate to apply the definition of "threat" in section 202 of the Trade Act. Because section 421 directs us to consider a lesser degree of injury than section 201, we find the appropriate inquiry to be whether subject imports are a significant cause of market disruption (rather than "serious injury") that is "clearly imminent."

We also find the factors set out in section 202(c)(1)(B) of the Trade Act relating to threat of injury to be instructive and have looked to those factors,[25] along with the three basic factors for determining material injury (volume of imports, price effects, and impact of imports) noted above.[26] We note that in section 201 cases the Commission has employed a somewhat different analysis in considering

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[20] (...continued)
section 421 states that section 406 will no longer apply to imports from China.

[21] Trade Act of 1974, Senate Report No. 93-1298, 93rd Cong., 2nd Sess., *reprinted in* 1974 U.S.C.A.A.N. 7186, 7343-44.

[22] *See, e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18.

[23] 19 U.S.C. § 2252(c)(6)(D).

[24] In past section 406 investigations, the Commission applied the definition in the 1974 legislative history of section 201, which defined a threat to exist "when serious injury, although not yet existing, is imminent." Section 202 of the Trade Act was amended in 1994 to add a definition – new section 202(c)(6)(D).

[25] The factors listed in section 202(c)(1)(B) are as follows –

> (i) a decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, productivity, or employment (or increasing underemployment) in the domestic industry,
> (ii) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or are unable to maintain existing levels of expenditures for research and development,
> (iii) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets.

[26] The Commission employed this analysis in considering threat in the section 421 investigation *Certain Brake Drums and Rotors from China*. Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18-19, 24-25, 27-29.

the issue of "threat" of injury, as opposed to its analysis in considering present injury. In its "threat" analysis, the Commission has focused more on recent trends and projections – for example, on whether there has been a recent sharp deterioration in the condition of the industry and a recent surge in imports, and whether the surge in imports and decline in industry indicators are projected to continue into the future to injurious effect.[27] We have likewise focused our analysis in this investigation on the more recent trends and projections.

Arguments of the parties. The petitioners argue that the domestic industry is presently injured, citing, among other things, deteriorating industry indicators over the last 12 months, including declines in domestic capacity, production, shipments, operating income, and employment.[28] They also point to Commission price data showing "extremely high" margins of underselling, particularly in 2004 and 2005,[29] and cite several instances in which U.S. purchasers increased purchases of the Chinese product and reduced purchases of the domestic product.[30] Petitioners believe that continuing high volumes of subject imports threaten further injury to the domestic industry.[31] They claim that such imports were on track to exceed 30,000 tons for the month of September and that the volume of subject imports is likely to continue at high levels through the end of 2005.[32] They further argue that the domestic industry will not be able to pass through raw material price increases in light of abundant supplies of low-priced imports from China, and that declining industry trends will force U.S. producers to shut down some facilities in the near future.[33]

Petitioners contend that rapidly increasing imports are a significant cause of material injury and threat of material injury to the domestic industry. They posit a strong correlation between increasing import volumes, both in volume and by market share, and material injury. According to petitioners, the loss in domestic producers' market share between interim 2004 and interim 2005 (9.7 percentage points) almost directly offsets the market share gain for subject imports (10.5 percentage points). They note that the nearly unchanged market share held by non-subject imports (a decline of 0.8 percentage points) suggests that the subject imports were not substituted for non-subject imports.[34] Finally, petitioners dispute respondents' claim that the imported and domestic products are principally of different grades and thus, that competition is attenuated.[35]

Respondents argue that the domestic industry is neither experiencing, nor threatened with, material injury. They assert that the domestic industry is operating at strong rates of profitability;[36] domestic employment is stable;[37] and that domestic production and shipments remain solid in the aftermath of the overheated 2004 market, with any declines attributable to certain companies' shift of

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[27] *See, e.g., Crabmeat from Swimming Crabs*, Inv. No. TA-201-71, USITC Pub. 3349 (August 2000) at I-18-21; and *Lamb Meat*, Inv. No. TA-201-68, USITC Pub. 3176 (April 1999) at I-18-21. *See also, Steel*, Inv. TA-201-73, USITC Pub. 3479 (December 2001) at 163-66.

[28] Petitioners' pre-hearing brief at 8.

[29] Petitioners' pre-hearing brief at 13-14.

[30] Petitioners' pre-hearing brief at 17-18.

[31] Petitioners' post-hearing brief at 25.

[32] Petitioners' post-hearing brief at 27.

[33] Petitioners' post-hearing brief at 29.

[34] Petitioners' post-hearing brief at 20.

[35] Petitioners' post-hearing brief at 14-15.

[36] Chinese respondents' pre-hearing brief at 14.

[37] Chinese respondents' pre-hearing brief at 20.

capacity to higher value products, such as line pipe or OCTG.[38] Respondents argue that domestic producers have been able to raise their prices by more than what is necessary to cover their rising costs, indicating that subject imports have not depressed or suppressed prices.[39] They also cite declines in imports from Korea and Taiwan in asserting that subject imports have grown at the expense of non-subject imports, not domestic pipe.[40] They characterize the loss in domestic product market share as "small," and attribute it to the lag time between market downturns and the ability of imports to react, and assert that the decline in new orders for Chinese pipe will not become apparent until the third and fourth quarters of 2005.[41]

Respondents further argue that to the extent domestic producers production and shipments are declining, these trends are the result raw material shortages, particularly hot-rolled steel, that has constrained production and their own high prices, which have suppressed demand.[42] They also predict that industry profits in the second half of 2005 should be at or near the record levels of the first half of 2004, as the industry continues to increase prices, importers' inventories are lower, the U.S. market is not the focus for Chinese pipe, and projections for Chinese capacity, production, and shipments do not suggest an imminent increase in Chinese imports.[43]

Finding. We find that rapidly increasing imports of circular welded non-alloy steel pipe from China are a significant cause of a threat of market disruption to the domestic industry. That is, we find that market disruption as a result of subject imports is imminent for the reasons discussed below.

1. *Overview of the domestic industry and conditions of competition*

As indicated above, the domestic industry is comprised of 18 producers of circular welded non-alloy steel pipe, 16 of whom provided useable financial and other data to the Commission during the course of the investigation. Two additional producers that exited the domestic industry in 2001 provided data through 2001.[44] These responding firms are believed to have accounted for the vast majority of the domestic industry's production volume during the investigation period.

Circular welded non-alloy steel pipe is used for the low-pressure conveyance of liquids and gases in plumbing and heating systems, air conditioning units, and automatic sprinkler systems; for commercial and residential fencing; and for structural applications. As such, demand for the product is derived from construction activity, principally in the non-residential sector.[45] By quantity, demand in the U.S. market (as measured by apparent U.S. consumption) declined during 2000 to 2003, before rising by 17 percent in 2004 over the prior year. Demand again was lower, when comparing interim 2005 to interim 2004, at 1.3 million short tons during the first half of 2004 and 1.1 million short tons in the same period of 2005. U.S. producers generally predicted that demand for circular welded non-alloy steel pipe in the imminent future will be flat.

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[38] Chinese respondents' pre-hearing brief at 21.

[39] Chinese respondents' pre-hearing brief at 27-30.

[40] Chinese respondents' pre-hearing brief at 39.

[41] Chinese respondents' pre-hearing brief at 40.

[42] Chinese respondents' pre-hearing brief at 51-53; MAN-Ferrostaal pre-hearing brief at 15.

[43] Chinese respondents' pre-hearing brief at 66-77; MAN-Ferrostaal pre-hearing brief at 16.

[44] CR/PR at Table III-1; CR at III-10 and PR at III-7.

[45] Hearing tr. at 84 to 85 (Mr. Vivian).

Circular welded non-alloy steel pipe is produced in a wide range of diameters and types. The domestic and imported product are largely interchangeable,[46] and they are made primarily to the same ASTM specifications, although differences may occur in terms of availability, delivery, and at times, quality.[47] Despite the general similarities, respondents argue that there are two distinct grades of standard pipe in the U.S. market, ASTM A-53 Grade A and Grade B, and that competition between the domestic and imported product is attenuated because Chinese producers ship more Grade A pipe, which is substitutable with Grade B product only in lower quality applications. However, the evidence does not support this argument. While Grade B standard pipe is slightly stronger than Grade A,[48] there are few differences in end uses between the two grades, and both domestic producers and importers ship significant quantities of both grades.[49]

In addition to the carbon-quality steel standard pipe that falls within the scope of this investigation, most domestic producers also produce other products, such as OCTG, line pipe, large-diameter standard and structural pipe, and other pipe, on the same equipment that they use for producing circular welded non-alloy steel pipe. Their product mix is reportedly determined by market demand. During the period of investigation, domestic production of other pipe products, such as OCTG and line pipe, increased as domestic production of carbon-quality steel standard pipe decreased. This is particularly evident during the first half of 2005.[50] However, the data demonstrate that, in this same period, domestic production of the subject product declined by 228 thousand short tons, while production of other pipe products had a net increase of only 49 thousand short tons. Thus, while some producers did shift production away from the subject pipe to these other products, these shifts appear to be limited, and do not explain the observed declines in domestic production of standard pipe.

The U.S. consumers of circular welded non-alloy steel pipe are supplied by both domestic producers and by imports. The vast majority of imports are supplied to the U.S. market through warehousing distributors. U.S. imports of circular welded non-alloy steel pipe from all sources fluctuated during the period examined. Such imports were 33.0 percent higher in 2004 than in 2003, but lower in 2004 than in 2000. Circular welded non-alloy steel pipe imports from China accounted for a growing share of total imports at the end of the period examined, and accounted for 25.2 percent of total imports in 2004 and 34.2 percent of total imports in interim 2005 (as compared to 18.0 percent in interim 2004). China became the largest single-supplier country for the first time in 2004, and was the largest supplier in interim 2005. Canada, Turkey, and India were the three largest third-country sources of circular welded non-alloy steel pipe imports in 2004, while Canada, Thailand, and Mexico were the three largest third-country sources in interim 2005.

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[46] The Commission estimates that the substitution between subject imports and the domestic like product is moderately high, with a substitution elasticity in the range of 4 to 6. CR at V-20; PR at V-14.

[47] CR at V-22; PR at V-15.

[48] Grade B standard pipe may contain slightly more carbon and manganese (by percentage of total weight) than Grade A pipe, making Grade B pipe slightly stronger. CR/PR at D-3.

[49] Respondents asserted that virtually all of the imports from China are lower quality Grade A product, while most domestic shipments are Grade B, and that the two grades are substitutable only in lower quality applications such as fence posts. Chinese Respondents' pre-hearing brief at 26-27. In their post-hearing brief, petitioners countered Grade B standard pipe is generally specified in very tall high-rise buildings and in construction support applications. In support of their claim that Grade A and Grade B pipe are interchangeable, petitioners provided information that indicates that two domestic producers that manufacture both Grade A and Grade B pipe sell both grades at the same price, even though it costs more to producer Grade B pipe. Petitioners' post-hearing brief at A-43-44.

[50] See CR/PR at Table III-2.

2. *Rapidly increasing imports are a significant cause of the threat of market disruption to the domestic industry*

Although we do not find that the domestic industry has yet reached the point of market disruption, we find that the industry's current performance level is not sustainable in light of the market conditions, and that market disruption is imminent. We further find that subject imports are a significant cause of the threat of market disruption to the domestic industry. In reaching these conclusions, we considered carefully the record evidence relating to the statutory requirements, regarding the volume and price effects of the subject imports, as well as evidence relating to the impact of subject imports on the domestic industry, including domestic production and shipments, capacity and capacity utilization, market share, profit and loss data, employment indicators, inventories, capital expenditures, and research and development expenditures. We also considered the threat factors as specified in section 202 (c)(1)(B) of the trade act.

The data below were collected from the questionnaire responses submitted to the Commission during this investigation. Owing to the suppression of imports as a result of steel safeguard measures and the antidumping investigation discussed above, we focus our analysis on the more recent years of the investigation period, and particularly on the time frame since the lifting of the safeguard measures in December 2003.

Analysis. As imports were increasing rapidly at the end of 2004 and into 2005, U.S. market share held by the subject Chinese pipe increased from 6.6 percent in January-June 2004 to 16.6 percent in January-June 2005, and was at 11.0 percent for full year 2004, thus capturing a rapidly increasing share of the U.S. market. As discussed above, subject import levels after January-June 2005 continued at a high rate of increase over comparable months in previous years.[51] [52] Contrary to respondents' arguments, the record clearly demonstrates that this gain in share for the Chinese pipe came almost entirely at the expense of the market share of the U.S. industry, and not non-subject pipe.[53] While the U.S. industry was seeing decreased market share in the interim periods,[54] non-subject share held almost steady, at 32.7 percent for full-year 2004, and in the interim periods, at 31.2 percent in January-June 2004 and 31.9 percent in January-June 2005. From 2003 to 2004, as U.S. consumption increased overall by 17 percent, subject imports gained an additional 6.6 percent of the market, while the U.S. share fell by 5.2 percent, and nonsubject imports lost 1.4 percent.[55]

The effect of this loss of market share in 2004 and 2005 can be readily seen in the various volume indicators of the domestic industry's performance. Domestic production was significantly lower in July-December 2004 (596,891 short tons) and January-June 2005 (587,367 short tons) compared to January-June 2004 (820,237 short tons).[56] Similarly, domestic shipments were lower in the second half of 2004

[51] See SIMA data. CR at IV-12; PR at IV-8-9.

[52] CR at IV-12; PR at IV-9.

[53] Petitioners' post-hearing brief at 20.

[54] Domestic producers' share of U.S. consumption was 62.0 percent in interim 2004, and 51.6 percent in interim 2005. CR/PR at Table C-1.

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

[56] Data for the second half of 2004 were calculated by subtracting first half 2004 data from full year 2004 data. There appears to be no significant seasonality in the various economic indicators for the domestic circular welded non-alloy steel industry. Accordingly, we find it appropriate to compare first and second half year data to show changes in industry performance. The absence of significant seasonality was confirmed at the hearing. Hearing transcript, p. 248 (Mr. Perrine).

(571,605 short tons), as compared to the first half (798,984 short tons).[57] End-of-period inventories were 3.8 percent higher in interim 2005 than in interim 2004.[58]

The domestic industry's capacity utilization also showed significant declines beginning in the second half of 2004. Domestic industry capacity utilization fell from 59.7 percent in the first half of 2004 to approximately 51.3 percent in the second half of 2004, and to 44.9 percent in the first half of 2005.[59] Domestic capacity, on the other hand, remained relatively stable during the investigation period, declining by 1.8 percent from 2,586,007 short tons in 2000 to 2,538,957 short tons in 2004; capacity was 1,374,917 short tons in interim 2004, a 4.9 percent difference from the capacity of 1,308,025 short tons in 2005. These data indicate that the sharp decline in capacity utilization at the end of the period was attributable to declining production trends, rather than increasing domestic capacity.

As production declined, the industry's employment-based indicators similarly fell. Domestic industry employment was 16.3 percent lower in interim 2005 as compared to interim 2004.[60] A comparison of full year 2004 employment and interim 2004 employment levels shows higher employment levels in interim 2004, indicating that a significant decline began in the second half of 2004. Hours worked followed a trend similar to employment, declining by 20.5 percent, in interim 2005 as compared with the same period in interim 2004.[61] [62] Wages paid were lower in interim 2005 ($38.7 million at 302 tons per 1,000 hours) compared with interim 2004 ($47.3 million at 335 tons per 1,000 hours). Similarly, industry productivity declined by 9.9 percent in interim 2005 compared with interim 2004.[63]

Thus, based on the data above, the industry's performance began to worsen toward the end of the investigation period due to loss of volume to Chinese imports.

We find that for each of these indicators, as subject imports continue to rise in the future, the domestic industry will suffer further adverse volume effects. As noted above, U.S. and Chinese pipe are highly substitutable.[64] Changes in Chinese capacity to produce subject pipe expanded throughout the investigation period and the Chinese industry currently has significant unused capacity. Unused Chinese capacity, which reached 732,630 shorts tons in 2004, or 79.2 percent capacity utilization, was nearly as

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[57] CR/PR at Table 1-8.

[58] End of period inventories were 228,801 short tons in 2000, and fell to 204,935 short tons in 2001, 203,800 short tons in 2002, 203,520 short tons in 2003, and 178,285 short tons in 2004; end of period inventories were 168,641 short tons in interim 2004 and 175,111 short tons in interim 2005. CR/PR at Table C-1.

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

[60] Employment fell from 2,434 production and related workers (PRWs) in 2000 to 2,283 in 2001, and then increased to 2,378 in 2002, fell to 2,074 in 2003, and rose to 2,304 in 2004; employment fell to 2,051 workers in interim 2005 from 2,451 in interim 2004. CR/PR at Table III-7.

[61] Hours worked fell from 5.02 million hours in 2000 to 4.61 million hours in 2001, and then rose to 4.99 million hours in 2002, fell to 4.55 million hours in 2003, and rose slightly to 4.56 million hours in 2004. Hours worked fell from 2.45 million hours in interim 2004 to 1.94 million hours in interim 2005. CR/PR at Table C-1.

[62] We have also considered respondents' argument that data showing reductions in employment reflect the transfer of workers from subject pipe production to other tubular products, rather than actual lay offs or terminations. (Respondents prehearing brief, pp. 20-21). The record indicates that *** (Petitioners posthearing brief at p. A-4). Thus, while these transfers did occur, they account for a small portion of the decline in employment producing subject import pipe, and even if adjustments are made to the data, overall employment remained significantly lower in interim 2005 (by 11.0 percent) compared to the same period in 2004.

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

[64] Chinese respondents' final comments, at 8-9; and CR at V-20.

high in interim 2005, at a level of 77.2 percent. The Chinese producers' own projections for full year 2005 and 2006 were for increased capacity, and only modest increases in capacity utilization.[65]

While the Chinese home market remains the primary outlet for the industry's shipments, the U.S. and other export markets grew to account for 27.8 percent of total shipments in interim 2005, an almost 10 percentage point increase over the full year 2004 level. The U.S. market is the principal market for shipments of subject Chinese pipe, accounting for over 55 percent of total exports in 2004. Thus, export markets, and especially the U.S. market, are gaining in importance in China's production strategy, and are predicted to continue to account for a growing share of Chinese production.[66]

In China, on the other hand, hot-rolled steel prices fell by 10 percent in recent months and these prices are expected to continue to decline.[67] As noted above, we see no evidence that high and rising Chinese import levels in 2004 and in the first half of 2005 have abated through September 2005, the most recent month for which data are available. Trends in Chinese capacity, capacity utilization, rising export-orientation, and growing focus on the United States as an export market persuade us that Chinese imports are likely to continue to grow in the near future. The record further indicates that Chinese producers' cost for hot-rolled steel, the principal input into subject pipe, is falling.[68] This gives Chinese producers a cost advantage over U.S. producers, whose hot-rolled costs continue to rise,[69] creating a further incentive for them to ship increased volumes to the United States.

With respect to prices for circular welded non-alloy steel pipe, Commission data show generally declining prices throughout the first two years of the investigation period, with some increases occurring in late 2002 and 2003, as the safeguard actions were put in place. After these measures were lifted in December 2003, and as Chinese subject pipe began to increase rapidly in volume and market share in the U.S. market in 2004, prices for both the domestic and imported products rose sharply.[70] Overall, prices for U.S.-produced pipe rose by 47.2 percent to over 100 percent for the 5 products for which data were collected, with most of this increase occurring in the 2004. Prices in the U.S. market for imported Chinese subject pipe also showed strong increases in the latter part of the investigation period. Overall increases for the five Chinese products ranged from 31.7 percent to 77.9 percent. In 2005, however, prices for some products began to level off or decline slightly.

We find that these increasing prices largely reflect the sharp cost increases that occurred for the primary raw materials used in pipe production, namely, hot-rolled carbon steel (which accounts for about 70 percent of the total cost of production) and other increases in production-related costs, such as energy, transportation, and labor costs.[71] Total costs of goods sold have increased, while the ratio of those costs to net sales has risen sharply, from 76.0 percent to 87.4 percent, as per-unit costs outpaced per-unit revenues.[72] The unit cost of steel for the U.S. industry increased by about $300 per short ton from 2003

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

[66] Concurrently, China's home market shipments shows decreases both in absolute volumes and as a share of total shipments, falling to a share in interim 2005 of 65.2 percent, from a peak of 85.9 percent in 2003. These data belie Chinese respondents' allegations that the growth of their capacity and import volumes are tapering off and their home market will absorb most of their production. CR/PR at Table IV-2 and Table IV-5; Petitioners' post-hearing brief at 29; and Chinese respondents' pre-hearing brief at 66.

[67] Petitioners' post-hearing brief, p. 26 and Petitioners' Final Comments on Remedy, p. 2 and note 2.

[68] Id.

[69] CR at III-19; PR at III-10; and CR/PR at Table III-10.

[70] CR/PR at Tables V-6-V-10.

[71] Petitioners' post-hearing brief at 11.

[72] CR/PR at Table III-8.

through the first half of 2005.[73] Petitioners reported that further increases continued in September 2005, with the price of hot-rolled steel rising by about 20 percent, or by $100 to $120 per ton.

Despite the rising subject import prices, the subject Chinese pipe undersold the comparable U.S. products throughout the investigation period. In 84 of 104 comparisons, the subject Chinese pipe was priced below the U.S. pipe. Margins of underselling ranged up to 50 percent, and for most producers, the margins tended to be greater in the latter part of the investigation period.

Because of the pattern of increasing prices that have generally allowed the U.S. industry to cover its rising raw material and other costs throughout much of 2004 and interim 2005, we do not find that the subject imports have depressed or suppressed prices for the domestic pipe.

Although the industry was profitable throughout the investigation period, the domestic industry's financial performance has shown signs of deterioration in interim 2005. While the domestic industry showed strong profits in the first half of 2004, at an operating margin of 17.2 percent, operating income on an absolute basis plummeted, from $105.8 million in January-June 2004 to $40.0 million in the comparable 2005 period, resulting in a market share of 6.7 percent. Similarly, U.S. producers' net sales also declined sharply in the first half of 2005.[74] Together with the evidence of declining production, shipments, employment and market share, the industry's softening financial picture leads us to conclude that it is in a weakened state and vulnerable to further adverse effects from subject imports.

We further find that the adverse effects on prices and profitability are imminent for several reasons. First, U.S. producers' prices have begun to level off or decline, while their costs continue to rise, creating a cost-price squeeze.[75] While prices were increasing, the domestic industry could decline to meet lower Chinese prices, sacrificing some sales volume, and remain profitable. With prices stabilizing or falling and Chinese product underselling by rising margins, domestic producers will imminently face the need to either lose significant additional sales volume or lower their prices to meet Chinese competition. Lowering prices will translate directly to lost profits, in light of rising costs. Further reducing production and shipments, while themselves indicators of injury, will further reduce employment and result in higher per unit production costs that ultimately affect producers' bottom line. For these reasons, we find that market disruption is imminent.

D. Conclusion

In view of the above, we find that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to threaten to cause market disruption to the domestic producers of the like product.

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[73] CR at III-19; PR at III-10, and CR/PR at Table III-10.

[74] U.S. producers net sales were 826,121 short tons in the first half of 2004, and then fell sharply to 578,606 short tons in the second half of 2004, and were 588,619 short tons in the first half of 2005. CR/PR at Table C-1.

[75] See staff table 1.

II. REMEDY PROPOSAL

For the reasons set forth below, we propose the following action to prevent the market disruption that we have found to be imminent -

> We propose the imposition of a tariff-rate quota for a period of three years on imports of circular welded non-alloy steel pipe from the People's Republic of China. We propose that the within-quota quantity be set at 267,468 short tons in the first year of relief, increasing by 5 percent in the second year, and a further 10 percent over the second year quantity in the third year. Imports entering within quota will be subject to the current rate of duty of "Free," while imports over these quota levels will be subject to a rate of 25 percent *ad valorem*.

TRQ Form of Relief	Year 1 Level	Year 2 Level	Year 3 Level
In-Quota Amount (short tons)	267,468	280,841	308,925
Additional Duties Above Quota	25 percent	25 percent	25 percent

Finally, if applications are filed, we recommend that the President direct the U.S. Department of Commerce and the U.S. Department of Labor to provide expedited consideration of any petitions for trade adjustment assistance filed by firms or workers affected by the subject imports.

Statutory Framework

Section 421(f) of the Trade Act of 1974[76] provides that the Commission, upon making an affirmative determination, or if it is equally divided in its determination, "shall propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption." It provides that only those Commissioners who agreed in the affirmative determination are eligible to vote on remedy, and that other Commissioners may provide their views on remedy. Neither the statute nor its legislative history provides any further guidance or instruction on remedy.

Section 421(f) thus authorizes the Commission to propose as a remedy any import restriction, including but not limited to an increased duty, a tariff-rate quota, a quantitative restriction, or other import restriction.[77]

Section 421(g)(2)(D)[78] requires that the Commission's report to the President and the United States Trade Representative include a description of -

> (i) the short- and long-term effects that implementation of the action recommended . . . is likely to have on the petitioning domestic industry, on other domestic industries, and on consumers; and

[76] 19 U.S.C. § 2451(f).

[77] 19 U.S.C. § 2481

[78] 19 U.S.C. § 2451(g)(2)(D)

(ii) the short- and long-term effects of not taking the recommended action on the petitioning domestic industry, its workers, and the communities where production facilities of such industry are located, and on other domestic industries.

Conditions of Competition

We considered the conditions of competition in the domestic market and likely developments affecting such conditions during the next several years in evaluating the various remedy options.

The domestic industry is comprised of 18 producers of circular welded non-alloy steel pipe during the period of investigation. Circular welded non-alloy steel pipe is used for the low-pressure conveyance of liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems; and for commercial and residential fencing. As such, demand for the product is derived from construction activity, particularly in the non-residential sector.[79] Using apparent U.S. consumption as a measure of demand, U.S. consumption declined during 2000 to 2003, before rising 17 percent in 2004 over the prior year. U.S. consumption in the first half of 2005 (1.1 million short tons) was lower than the comparable period of 2004 (1.3 million short tons). U.S. producers generally predicted that demand for circular welded non-alloy steel pipe in the imminent future will be flat.

Circular welded non-alloy steel pipe is produced in a wide range of diameters and types. The domestic and imported product are largely interchangeable,[80] and are produced generally to the same ASTM specifications.[81] [82] In addition to the subject standard pipe, most domestic producers also produce OCTG, line pipe, large-diameter standard and structural pipe, or other pipe, on the same equipment. Product mix is reportedly determined by market demand. During the period of investigation, domestic production of the subject pipe decreased, with capacity utilization reaching a level of 44.9 percent in January-June 2005;[83] its production of other pipe products increased only slightly.[84] U.S. producers export only a small share of total shipments. Thus, considering the significant available excess capacity

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[79] Hearing transcript at 84 to 85 (Mr. Vivian).

[80] The Commission estimates that the substitution between subject imports and the domestic like product is moderately high, with a substitution elasticity in the range of 4 to 6. CR at V-20; PR at V-14.

[81] CR at V-22; PR at V-15. Despite the general similarities, Respondents argue that there are two distinct grades of standard pipe in the U.S. market, ASTM A-53 Grade A and Grade B, and that competition between the domestic and imported product is attenuated because Chinese producers ship more Grade A pipe, which is substitutable with Grade B product only in lower quality applications. However, the evidence does not support this argument . While Grade B standard pipe is slightly stronger than Grade A, there are few differences in end uses between the two grades, and both domestic producers and importers ship significant quantities of both grades.

[82] Respondents asserted that virtually all of the imports from China are lower quality Grade A product, while most domestic shipments are Grade B, and that the two grades are substitutable only in lower quality applications such as fence posts. Chinese Respondents' pre-hearing brief at 26-27. At the hearing, petitioners countered that Grade A and Grade B standard pipe "are perfectly interchangeable" in 95 percent of market applications, and that the higher quality weld in Grade B pipe is important only in load-bearing construction applications. In their post-hearing brief, petitioners also asserted that Grade B products account for virtually the same proportion of subject imports (*** percent in interim 2005) as of domestic production (about one third of all shipments). Hearing tr. at 255-56 (Mr. Schagrin); Petitioners' post-hearing brief at 15.

[83] CR/PR at Table III-1.

[84] CR/PR at Table III-2. This is particularly evident during the first half of 2005. In this same period compared to January-June 2004, domestic production of the subject product declined by 229 thousand short tons, while production of other pipe products had a net increase of only 50 thousand tons. Thus, while some producers did shift production away from the subject pipe to these other products, these shifts appear to be limited.

in the domestic industry, U.S. producers should be able to increase shipments in response to increased demand due to lower volumes and higher prices for Chinese pipe.

China was already a significant supplier of subject pipe to the U.S. market prior to the antidumping and global safeguard actions in 2001-2003. After the global safeguard relief was lifted in December 2003, it grew to be the largest single source of U.S. imports overtaking traditional suppliers such as Korea and Canada. Imports from China accounted for 25.2 percent of total imports in 2004 and 34.2 percent of total imports in interim 2005, as compared to 18.0 percent of total imports in interim 2004.[85] U.S. imports of subject pipe from all sources fluctuated during the period examined, but were lower in 2004 than in 2000. In the interim comparisons, nonsubject imports held a steady share of the market at about 31 percent. [86] These data support our finding that in the most recent period, increases in the import share in the U.S. market went almost entirely to China, and the increased Chinese share of the total U.S. market came at the expense of the domestic industry, whose share in interim 2005 was 51.6 percent, well below the 62.0 percent share in interim 2004.[87]

Proposed Relief

In determining what remedy to propose, we took into account the submissions of the parties. Petitioners requested that the Commission propose a quota on subject imports for a 5-year period in an amount of 90,000 tons in the first year, with the quota amount to rise by 5 percent a year in each of the remaining two years.[88] Petitioners assert that a remedy in the form of a quota is appropriate because the volume of subject imports is expanding rapidly and there is a multitude of producers in China with the collective capacity to flood the U.S. market.[89] They believe that only a quota will provide the volume restriction necessary to allow domestic producers to increase production and employment. They argue against a remedy in the form of a tariff, believing that the increasing spread between the cost of raw materials for domestic and Chinese producers would reduce the impact of any such measure. Also, petitioners argue that the Chinese producers and possibly importers would not pass on the cost of the tariff to U.S. purchasers, thus undermining the effectiveness of the action in the U.S. market, especially given the margins of underselling evident in the record.[90] Petitioners included dual stenciled pipe in the scope of investigation to prevent circumvention of any remedy action,[91] arguing that subject standard pipe should not be excluded merely because it meets a line pipe specification.[92]

The Chinese respondents argue that any remedy recommended by the Commission must place the domestic industry in "a significantly improved position," and that where no remedy can achieve that result, the Commission should not propose one.[93] They argue that restrictions on the subject imports will

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[85] CR/PR at Table E-1.

[86] Canada, Turkey, and India were the three largest third-country sources of circular welded non-alloy steel pipe imports in 2004, while Canada, Thailand, and Mexico were the three largest sources in interim 2005.

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

[88] This would approximate the level of imports from China in 2003 (92,316 short tons). CR/PR at Table II-1.

[89] Petitioners' Final Comments on Remedy, at 1.

[90] Petitioners' pre-hearing brief at 26-27. *See also* petitioner's post-hearing brief at 30-31, and petitioners' final comments on remedy at 1-2.

[91] Tr. of hearing at 198 (Mr. Schagrin).

[92] Petitioners' final comments on remedy at 3-4 (noting the example of ***).

[93] Chinese respondents' final comments on remedy at 2. Respondents cite statutory language in section 421(f) which states that the Commission is to recommend the relief "necessary" to prevent or remedy market disruption, and statutory language in section 421(g)(2)(D) requiring the Commission to describe the short- and long-term effects

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not improve the ability of the domestic industry to raise prices, because there is no evidence that sales of Chinese pipe have depressed or suppressed U.S. selling prices, which have been at historical high levels. They contend that a tariff-based remedy will not permit the domestic industry to expand shipments, because imports from other countries will simply replace Chinese volume.[94]

The Chinese respondents state that if import restrictions have to be imposed, quotas are preferable to tariffs. They suggest a quota level of 365,000 short tons, for a 3-year period, allowing for growth at 5 percent per year. They base their quota proposal on the volume or Chinese imports during the period July 2004-June 2005.[95]

Respondent/importer MAN Ferrostaal concurred with the Chinese respondents in its remedy recommendation of a quota of 365,000 short tons. It asserted that a quota would be easy to administer, predictable, and the least trade distorting of the potential remedies, as well as an effective remedy for any possible existing or future market disruption. It argued that a tariff would simply encourage Chinese imports to be replaced by other imports, and that a tariff-rate quota would be prone to errors and uncertain enforcement.[96] Further, any remedy should not impose end-use certifications on dual- and multiple-stenciled pipe,[97] as this would impose a severe administrative burden on Customs, U.S. importers and distributors, and U.S. purchasers of imported pipe. [98]

In deciding what type and amount of relief is necessary to prevent the market disruption we have found to be imminent, we are authorized to propose any number of possible remedies, including a simple tariff increase, a tariff-rate quota (TRQ), or a quantitative restriction. In this investigation, we find that the most appropriate remedy is a TRQ. First, although an *ad valorem* tariff is generally preferred over other remedy options because it tends to minimize any trade distorting effects and is easier to administer, no party in this investigation has proposed that remedy. In fact, the parties are unified in support of a quota, although they do not agree on the amount. Further, because of the considerable price differential between the domestic and subject imported product, we believe (and the parties agree) that a tariff would not place any meaningful limit on the volume of subject imports entering the U.S. market. A quota, by contrast, would establish an inflexible ceiling on subject import volumes, and could contribute to shortages in the U.S. market in the event that demand conditions change.[99]

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[93] (...continued)
of the proposed action as well as the short- and long-term effects of not taking any action. They argue that when the short- and long-term effects of taking action are the same as for taking no action (no positive impact), the requirement of "necessary" in the statute cannot be met.

[94] Id. at 3-5.

[95] Id. at 8-9.

[96] MAN Ferrostaal final comments on remedy at 2-5.

[97] MAN Ferrostaal, in its pre-hearing brief, and the Chinese respondents, in their post-hearing brief, requested that the Commission amend the scope of investigation to exclude imports of dual- or multiple-stenciled pipe from the investigation – that is, to exclude pipe that is stenciled as meeting the specifications for standard pipe and one or more other pipe products.

[98] MAN Ferrostaal final comments on remedy at 5-7. It suggested that the Commission, if it does not exclude such pipe from the scope of investigation, should follow the practice of Commerce, of framing antidumping orders to avoid the need for such certifications, and of resorting to them only when certain preconditions are met – i.e., when the petitioner or other interested parties provide a reasonable basis to believe or suspect that the products are being utilized in a covered application. It asserts that there is currently no reason to believe or suspect that there are imports that would require certifications.

[99] Although demand in the market is predicted to remain relatively stable, some parties predicted strong demand in the Gulf Coast region because of the impact of Hurricanes Katrina and Rita. Respondents believed that the significant cost estimates of infrastructure and building reconstruction would have to translate in to some increase in
(continued...)

On balance, we find a TRQ to be the most effective remedy to prevent the market disruption we have found to be imminent. We agree with the parties that a quota will provide a degree of certainty and stability to the market. We have selected a quota level that we believe is sufficient to supply the market while providing effective relief to the domestic industry. Nevertheless, we are proposing a TRQ because it permits additional U.S. imports from over and above the quota levels if market conditions require them. We do not, however, believe that this market is one which will require imports from China over and above the quota level. Demand is estimated to remain generally stable, such that large demand swings are not anticipated. The U.S. industry is operating at relatively low capacity utilization levels, and has substantial available capacity to increase its supply to the market. Further, a substantial number of non-subject countries could supply more standard pipe to the U.S. market if demand were to increase.[100]

We base our first year quota amount, 267,468 short tons, on the level of U.S. imports of circular welded non-alloy steel pipe from China in 2004. Import levels in 2004 preceded the most substantial deterioration in the financial condition of the domestic industry, as well as weakening in many other performance indicators, such as production, shipments, and employment. We believe that holding subject imports at 2004 levels, with modest annual increases to the quota,[101] will permit supply and prices in the market to stabilize and prevent market disruption.

We find that the quota level requested by petitioners, 90,000 short tons annually for a period of five years (allowing for 5 percent liberalization each year) would constitute a reduction that is greater than the amount necessary to prevent market disruption and would cause undue hardship to importers and consumers. Petitioners' proposal would restrict imports to a level seen only when the subject imports were entering under a global safeguard remedy.[102] On the other hand, the quota level proposed by respondents, 365,000 short tons, would have no beneficial impact on the domestic industry, which we found to be in a weakened condition, nor would it restrict subject import volumes so as to prevent the market disruption we find to be imminent.

We have also considered respondents' arguments that non-subject imports will simply fill the demand left by any restrictions imposed on imports from China. We disagree on legal and factual grounds. The statute instructs the Commission to recommend action that will prevent or remedy the market disruption we have found to be imminent due to the subject welded pipe imports from China. Our proposal does not address or offset any possible increase in imports from third countries that may result from a decline in imports from China if this remedy action is implemented. Such an action would be outside the scope of the statute. Further, any increase in non-subject imports is not likely to replace lower volumes from China on a one-to-one basis. The most recent experience in the U.S. market is contrary,

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[99] (...continued)
demand for the subject pipe. (Respondents' posthearing brief, *Responses to Questions of Vice Chairman Okun*, p. 12-13. Domestic parties also believed there could be a demand increase as the rebuilding begins, but that there is not likely to be a significant overall change. Hearing transcript, pp. 231-232 (Mr. Barnes).

[100] Respondent parties requested that the Commission either exclude imports of dual-stenciled or multiple-stenciled pipe from the scope of the investigation, or in the alternative, that the Commission follow the Commerce practice in Title VII investigations, under which it will not instruct Customs to require end-use certifications until such time as the petitioner or other interested parties provide Commerce with a reasonable basis to believe or suspect that the products are being utilized in a covered application. Dual- or multiple-stenciled pipe is pipe that meets ASTM specifications for standard pipe and API specifications for line pipe. Petitioners object to either approach. The record indicates that little, if any, dual- or multiple-stenciled pipe has entered during the period examined. We think that it would be difficult to implement any end-use certification requirement effectively in this situation and thus recommend that the President consider this issue if he imposes import relief.

[101] Because we believe that the relief should take into account the fact that the remedy is temporary in nature, we propose that the quota level be increased by 5 percent in the second year of relief, to 280,841 short tons, and by an additional 10 percent in the third year of relief, to 308,925 short tons.

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

with the increase in Chinese market share more closely tied to the decrease in U.S. share than to non-subject market share.[103] We would expect that the domestic industry would experience a significant benefit from a remedy imposed on imports of circular welded non-alloy steel pipe from China, as described below.

Short- and Long-Term Effects of the Recommended Remedy

The remedy we are proposing would prevent the market disruption by circular welded non-alloy steel pipe from China that we have found to be imminent and does not exceed the amount necessary to remedy the threat of market disruption. It is intended to halt the deterioration of revenues, market share, profitability, employment levels and other performance indicators that have declined since the first half of 2004.

In the first year, the TRQ would leave unchanged the tariff on the first 267,468 short tons of circular welded non-alloy steel pipe imported from China, which is the level of 2004 imports, while imposing a 25 percent tariff on any imports entered over that amount. Because the domestic industry already supplies a majority of the U.S. market, and the most significant impact of the rapid increase in imports from China has been on U.S., not non-subject, shipments, we would expect most of the reduced volume of Chinese pipe to be replaced by increased U.S. shipments.[104]

The TRQ we propose would likely reduce shipments of Chinese circular welded pipe by 26.6 percent. Increases in shipments by domestic producers would likely make up for the bulk of the reduction in subject imports. Because the volume of domestic shipments is much higher than the volume of nonsubject imports, each would increase by a similar amount in percentage terms. Domestic shipments would likely increase by 2.4 to 3.0 percent, while nonsubject import shipments would likely increase by 2.6 to 3.3 percent.[105] Further, the 25 percent over-quota tariff-rate will limit the volume of subject imports to their 2004 level, but will not preclude growth if market conditions change.[106]

The TRQ is likely to result in higher prices for domestic and imported pipe, although by only modest amounts. Domestic industry prices are estimated to increase by 0.3 to 0.7 percent; nonsubject import prices by 0.3 to 0.6 percent, and Chinese prices by 6.1 to 9.5 percent.[107] These estimates reflect that most of the recent impact of the rapidly increasing Chinese product in the U.S. market has been on domestic volume, while the industry has been able to raise prices to cover costs until the second half of 2004 and the first half of 2005.

The increased quantity and prices of domestic industry shipments would modestly improve the domestic industry's revenues. However, because the domestic industry has been able to maintain profitability, and as recently as 2004 reported healthy operating margins, this level of benefit provided by the TRQ - a revenue increase of 2.9 to 3.5 percent - should allow the industry to improve its operating income levels, which had been declining in the most recent half year periods. Any negative effects on

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

[104] The COMPAS economic model used by the Commission estimates the extent of market changes likely to result from import relief. The results of the model are expressed in terms of percentage changes from the most recent base period, in this case the year 2004.

[105] Staff document, "Estimated effects of recommended remedy", Table 2-A, Oct. 11, 2005.

[106] *Id.*

[107] *Id.*

U.S. consumers will be extremely small in absolute terms and even smaller in relative terms given that circular welded non-alloy steel pipe is generally a small cost component in its ultimate end uses.[108]

It is not possible to predict market effects with precision following the initial year of relief. In general, it is expected that as the volume of imports from China is restrained, the domestic industry will be able to respond by increasing production as necessary and ultimately improving capacity utilization, employment, and financial performance.

Short- and Long-Term Effects of Not Taking the Recommended Action

In the absence of appropriate relief, the recent declines in operating income and other performance indicators such as production and employment experienced by the domestic industry, can be expected to continue and likely worsen. Chinese circular welded non-alloy steel pipe has increased its share of the U.S. market significantly, although U.S. consumption has changed little. The U.S. producers' loss of volume had been moderated somewhat by their success in gaining price increases to cover sharply increasing costs. However, in the absence of a remedy, the domestic industry producing circular welded non-alloy steel pipe is likely to experience substantial revenue losses, production and shipment declines, and further employment reductions.

[108] CR at V-9; PR at V-7. The COMPAS model estimates a first year impact on consumers of $18.0 million to $30.3 million.

SEPARATE AND DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN AND COMMISSIONER DANIEL R. PEARSON

I. DETERMINATION

Pursuant to section 421(b)(1) of the Trade Act of 1974 (19 U.S.C. § 2451(b)(1)) and on the basis of the information obtained in this investigation, we determine that circular welded non-alloy steel pipe from China is not being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of circular welded non-alloy steel pipe.

We join our colleagues in the discussions regarding background, statutory framework**,** and domestic industry, including like or directly competitive domestic articles. We write separately to discuss the conditions of competition and to provide our analysis of the statutory factors.

II. SUMMARY

We find that the record before the Commission does not indicate that rapidly increasing imports of circular welded non-alloy steel pipe from China are a significant cause of market disruption because the domestic industry is neither materially injured nor threatened with material injury. Consistent with demand for steel products in general, U.S. demand for circular welded non-alloy steel pipe increased significantly from the end of 2003 to the end of 2004. This demand reverberated throughout the market, creating a situation of tight supply in 2004. Moreover, this demand, along with rapidly increasing raw material prices, allowed producers and importers to push through large price increases for subject pipe, which reached record high levels at the end of the period of investigation. Finally, the combination of tight supply and rising prices pulled in imports, both subject and non-subject. This purchasing pattern led to distributors overstocking inventory toward the end of 2004, and thus, they purchased less subject pipe in early 2005 resulting in a decline in pipe shipments, particularly for the domestic industry as its lead times are the shortest.

The domestic industry has been profitable throughout the period of investigation with an average ratio of operating income to net sales of about 6 percent before 2004. With strong demand, tight supply and rising prices, the domestic industry experienced a very strong 2004, particularly in first-half 2004 with a ratio of operating income to net sales of more than 17 percent. As the strong market demand cooled in 2005, the domestic industry's profitability returned to its historical average. Domestic prices generally have continued to rise with rising costs. While imports of Chinese product have been increasing along with their margins of underselling, they have had no meaningful effect on domestic prices. Prices of the Chinese products generally were increasing but their margins of underselling the domestic products increased as prices on domestically produced products rose at a faster rate, reaching peak levels in late 2004 or the first-half of 2005. Indeed, the domestic industry once again has just raised prices on a number of products in response to rising raw material costs. While recent indicia such as production, employment and capacity utilization have declined during the period, the industry remains healthy and generally has returned to its more traditional levels of performance. Moreover, distributors have used first-half 2005 to reduce their inventory levels from the peak in 2004 when they were concerned over their ability to obtain subject pipe. Therefore, demand should, at worst, remain steady, but most likely will improve, particularly in light of the rebuilding efforts along the Gulf Coast following Hurricanes Katrina and Rita. We, therefore, find that the domestic industry is neither in a state of material injury, nor threatened with material injury.

III. MARKET DISRUPTION DOES NOT EXIST

The petition in this investigation was filed on August 2, 2005, by Allied Tube and Conduit Corp., IPSCO Tubulars, Inc., Maruichi American Corp., Maverick Tube Corp., Sharon Tube Co., Western Tube Conduit Corp., Wheatland Tube Co., and the United Steelworkers of America, AFL-CIO.[1] In addition to the seven petitioning firms, the domestic industry also is currently composed of 11 other domestic producers.[2] The responding parties to the investigation are the China Chamber of Commerce of Metals, Minerals & Chemicals Importers and Exporters, certain Chinese producers¸ and importers MAN Ferrostaal Inc. and Pusan Pipe America.[3]

A. Rapidly Increasing Imports

Statutory framework. To find market disruption, the statute requires that the Commission find that imports of a product from China "are increasing rapidly, either absolutely or relatively." Thus, the increase must be occurring "rapidly." The requirement is met if the rapid increase is in absolute terms or in relative terms. The statute does not indicate whether "relatively" means with respect to domestic production (as would generally be the case under other safeguards laws, such as section 201), consumption, or something else. The use of the disjunctive "or" means that the rapid increase would have to be either in absolute terms or in relative terms. The use of the word "are" suggests that the rapid increase should be recent and continuing, as opposed to in the distant past.

Section 421 does not otherwise define "increasing rapidly" or the timing or circumstances of the increase. In the absence of express direction, we have determined that imports are increasing rapidly if there has been a significant increase in such imports (either absolute or relative to domestic production or consumption) during a recent period of time.[4]

Arguments of the parties. The parties disagree with respect to whether imports are increasing rapidly. Petitioners contend that the subject imports from China have increased rapidly in both absolute and relative terms. Petitioners state that imports from China during the period 2000-2004 increased by 103,602 tons, or by 63.2 percent, and during the period 2002-2004 increased by 257,354 tons, or by 2,544.5 percent. Petitioners assert that the import volume surge accelerated in the second half of 2004, that import volume was more than twice the volume of the first half of 2004, and that subject imports in the first half of 2005 were 110.5 percent above the level in the comparable period of 2004.[5]

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[1] Confidential Staff Report ("CR") at Table I-6; Public Staff Report ("PR") at Table I-6.

[2] They include American Steel Pipe, Bull Moose Tube Co., California Steel Industries, Inc., ***, Leavitt Tube Co., Lone Star Steel, Northwest Pipe Co., Stupp Corp., Tex-Tubb, U.S. Steel, and ***. CR/PR at Table I-6 and CR/PR at III-1 n. 1. ***. CR/PR at III-1 n. 1.

[3] *See*, e.g., respondents' respective post-hearing briefs.

[4] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 14; *Certain Ductile Iron Waterworks Fittings from China*, Inv. No. TA-421-4, USITC Pub. 3657 (December 2003) at 11-12; *Uncovered Innerspring Units from China*, Inv. No. TA-421-5, USITC Pub. 3676 (March 2004) at 10. While neither section 421 nor its legislative history expressly adopts either the section 406 practice or its legislative history, we note that section 406(e)(2)(B)(I) of the Trade Act states that imports are increasing rapidly "if there has been a significant increase in such imports (either actual or relative to domestic production) during a recent period of time."

[5] Petitioners' pre-hearing brief at 4-5.

The Chinese respondents argue that there has been no rapid increase in subject imports under any of the possible statutory measures.[6] They assert that imports from China were artificially restricted in 2002 and 2003 when U.S. global safeguard measures were in place (in 2002 and 2003) and an antidumping investigation was pending (in 2002), and that imports are simply returning to expected levels.[7] They also argue that the Commission should take into account the "panic" steel market in the second half of 2003 and 2004 and the long lead times for Chinese product, which they argue resulted in a bunching of Chinese imports in the second half of 2004 and first half of 2005.[8] They argue that, in view of these effects, 2001 import levels are the proper benchmark for determining whether imports are increasing rapidly. They assert that imports, when viewed in that context, have increased a "relatively modest" 100,000 tons between 2001 and year-to-date 2005.[9]

Finding. For the reasons set forth below, we find that imports of circular welded non-alloy steel pipe from China are increasing rapidly and that this first criterion is satisfied. We find that they are increasing rapidly, in either absolute or relative terms, and that their increase was significant during the recent period.

Data. Commission data compiled from questionnaire responses show that imports of circular welded non-alloy steel pipe from China increased overall during the period examined, first declining from 163,866 short tons in 2000 to 157,035 short tons in 2001, then sharply falling to 10,114 short tons in 2002, and then beginning to increase to 92,316 short tons in 2003, and to 267,468 short tons in 2004.[10] Subject imports increased from 87,890 short tons in first half 2004 to 185,019 short tons in first half 2005.[11] This is in comparison with apparent U.S. consumption of circular welded non-alloy steel pipe, which was 2,566,352 short tons in 2000, 2,292,569 short tons in 2001, 2,213,696 short tons in 2002, 2,078,160 short tons in 2003, and 2,432,259 short tons in 2004.[12] Apparent U.S. consumption declined from 1,288,509 short tons in first half 2004 to 1,117,722 short tons in first half 2005.[13] Also by comparison, domestic production of circular welded non-alloy steel pipe was 1,520,350 short tons in 2000, 1,351,999 short tons in 2001, 1,401,898 short tons in 2002, 1,278,666 short tons in 2003, and 1,417,128 short tons in 2004.[14] Domestic production declined from 820,237 short tons in first half 2004 to 587,367 short tons in first half 2005.[15]

Analysis. Imports of circular welded non-alloy steel pipe from China are increasing rapidly. Pursuant to section 421, the Commission has determined that imports are increasing rapidly if there has been a significant increase in imports during a recent period of time.[16] Although we do not regard the

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[6] Chinese respondents' pre-hearing brief at 6.

[7] Chinese respondents' pre-hearing brief at 7-8.

[8] Chinese respondents' pre-hearing brief at 8-10.

[9] Chinese respondents' pre-hearing brief at 12.

[10] CR/PR at Table II-1 and Figure II-2.

[11] CR/PR at Table II-1 and Figure II-2.

[12] CR/PR at Table V-1.

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

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

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

[16] *See e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 16; *Certain Ductile Iron Waterworks Fittings from China*, Inv. No. TA-421-4, USITC Pub. 3657 (December 2003)

(continued...)

legislative history of section 406 cited by the parties to be controlling here, as it was not expressly adopted by section 421 or cited in its legislative history, it does not appear to be inconsistent with the conclusions we reached in previous investigations. References in the legislative history of section 406 to a "steady trend toward higher import levels" and "imports on a rapid upswing" suggest a focus on recent imports and the current situation. With regard to the rapidity of the increase, the legislative history indicates that the test can be met in one of three ways – through a relatively sharp increase when the increase is concentrated in one year, through a steady, less dramatic increase over a longer period of two to three years, or as a result of a rapid upswing after imports have fluctuated up and down.[17]

In *Uncovered Innerspring Units from China*, we stated that we would focus our analysis on the more recent time rather than the beginning of the period of investigation because it is more relevant to the purpose underlying the statute.[18] First, the legislative history to section 421 states that the legislation "implements the anti-surge mechanism established under the U.S.-China Bilateral Trade Agreement." Second, Congress specifically designed the product-specific safeguard to "address concerns about potential increased import competition from China in the future."[19] We also stated that we interpret the section 421 legislative history as providing relief only if market disruption occurs or continues to occur after China's accession to the World Trade Organization (December 2001).[20] Thus, we focus on the more recent period of time and examine whether subject imports have increased sharply in the last year.

Applying this analysis to the facts in the present case, we find that the increase in subject imports was significant in both absolute and relative terms. The data show that imports of circular welded non-alloy steel pipe from China, in absolute terms, increased from 87,890 short tons in first-half 2004 to

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[16] (...continued)
at 12.

[17] The relevant legislative history of section 406 states as follows –

> In applying the term "rapidly", the ITC should examine whether imports have recently surged over historical levels. In conducting this inquiry, ITC should balance the amount of the increase and the period of time involved. Thus, if the ITC finds that the increase is concentrated in a single year, it should look for a relatively sharp increase. If, on the other hand, the increase has occurred over a 2-3 year period, the longer period will provide a more stable basis for comparison and may show a steady trend toward higher import levels that meets the "rapidly increasing" requirement. Thus, in the latter situation, the increase need not be as sharp or as dramatic as that required over a shorter period. If imports have fluctuated up and down, the fact that imports are on a rapid upswing can satisfy the "rapidly increasing" requirement, even though imports have not reached levels attained in a previous period. If, however, the ITC finds that imports are stable, declining in absolute terms and relative to domestic production, or increasing slowly, the "rapidly increasing" requirement would not be met.

Omnibus Trade and Competitiveness Act of 1988, House Conf. Rep. No. 100-576, 100th Congress, 2nd Sess., *reprinted in* 1988 U.S.C.A.A.N. at 1723-24.

[18] *Uncovered Innerspring Units from China*, Inv. No. TA-421-5, USITC Pub. 3676 (March 2004) at 10, n. 40 (Chairman Okun and Commissioners Koplan and Pearson).

[19] U.S. House of Representatives, Committee on Ways and Means, *Permanent Normal Trade Relations with the People's Republic of China*, H.R. No. 106-632, 106th Cong., 2nd Sess., at 16, 19 (emphasis added).

[20] *Uncovered Innerspring Units from China*, Inv. No. TA-421-5, USITC Pub. 3676 (March 2004) at 10, n. 40 (Chairman Okun and Commissioners Koplan and Pearson).

185,019 short tons in first-half 2005, an increase of 110.5 percent.[21] The same trend is exhibited by the respective ratios of subject imports to domestic production and U.S. apparent consumption. The ratio of imports from China to U.S. production was 10.7 percent in first-half 2004 and then increased to 31.5 percent in first-half 2005.[22] The ratio of subject imports from China to U.S. apparent consumption was 6.8 percent in first-half 2004 and increased to 16.6 percent in first-half 2005.[23]

We acknowledge Chinese respondents' arguments that imports from China were artificially restricted in 2002 and 2003 when U.S. global safeguard measures were in place and an antidumping investigation was pending,[24] and that the "panic" steel market in the second half of 2003 and 2004 and the longer lead times for Chinese product may have resulted in a bunching of Chinese imports in the second half of 2004 and first half of 2005.[25] As the Commission has stated in earlier section 421 cases, the question before the Commission in deciding whether the first criterion is met is whether the subject imports are increasing rapidly, not the reason for the increase.[26] Thus, we conclude that the more appropriate place for the Commission to consider the reasons that may explain the amount and the timing of the increase, including whether they are injurious, is in an analysis of causation. Accordingly, any effects of the safeguard measures, antidumping duty investigation and the tight steel market are not relevant to the issue of whether imports are "increasing rapidly."

In summary, imports of subject circular welded non-alloy steel pipe from China have increased rapidly.

B. Conditions of Competition

Circular welded non-alloy steel pipe is used in a variety of applications including in the low-pressure conveyance of liquids and gases in plumbing and heating systems, and it also is used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, as a conduit shell.[27] Demand tends to follow general economic activity in the U.S. economy and is influenced by the level of U.S. construction activity.[28] U.S. demand, as measured by apparent U.S. consumption, irregularly declined over the period of investigation by 5.2 percent. Initially, demand declined from approximately 2.57 million short tons in 2000 to 2.08 million short tons in 2003.

Consistent with demand for steel products in general, apparent U.S. consumption of circular welded non-alloy steel pipe increased significantly from the end of 2003 to the end of 2004, increasing by 17 percent to 2.43 million short tons in 2004. This growing demand had a number of effects. First, it

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

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

[23] CR/PR at Table V-1.

[24] Chinese respondents' pre-hearing brief at 7-8.

[25] Chinese respondents' pre-hearing brief at 8-10.

[26] *See Certain Steel Wire Garment Hangers from China*, Inv. No. TA-421-2, USITC Pub. 3575 (February 2003) at 11, where the Commission stated that the statute provides no authority for the Commission to adjust import data to exclude (in that case) imports by domestic producers, and stated that the more appropriate place to consider the circumstances of such imports, including whether they are injurious, is in the causation part of the Commission's analysis. *See also Certain Ductile Iron Waterworks Fittings from China*, Inv. No. TA-421-4, USITC Pub. 3657 (December 2003) at 13.

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

[28] Hearing transcript at 85 (Vivian).

created a situation of tight supply in 2004.[29] Second, along with rapidly increasing raw material prices, it allowed producers and importers to push through large price increases for subject pipe, which reached record-high levels at the end of the period of investigation.[30] Third, rising prices and a tight market pulled in imports, both subject and non-subject. Domestic producers, purchasers and Chinese respondents generally described a sense of concern over the ability to obtain subject pipe in 2004, which ended in late 2004.[31]

While the economy did not slow in the first half of 2005, collected data show that there was a decline in pipe shipments to distributors and end users from domestic producers and importers. Accordingly, apparent consumption declined by 13.3 percent over the interim periods.[32] In part, distributors had overstocked in 2004 as prices for subject pipe had been escalating and demand was strong. Thus, domestic shipments, with short lead times, declined quickly in 2005 as distributors slowed their purchases as they worked off their high inventory levels.[33] As there is an average three to four month lag between purchase and importation of subject product,[34] Chinese import levels continued into 2005.

The domestic industry currently consists of 18 producers.[35] Four firms dominate domestic production (***).[36] Fifteen firms (accounting for approximately 90 percent of total reported U.S. production of the subject product during 2004) also produce other pipe products (including OCTG, line pipe, large diameter standard and structural pipe, and other pipe) on the same equipment they use to produce circular welded non-alloy steel pipe. The record indicates that domestic producers adjust their product mix based on market demand for the various products, and recently have shifted production to

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[29] CR at V-4 n. 1, PR at V-3 n. 1 (purchasers reported difficulty obtaining product from U.S. producers. U.S. producers testified that they had had some difficulties obtaining raw materials for the production of the subject product and that their inventories of finished pipe products were reduced and lead times extended). Hearing transcript at 174 (Dooner) (lead times for raw materials extended. While Wheatland did not have to curtail production, the ability to obtain raw materials became more difficult); 175 (Boggs) ("Our finished goods got pretty low at times. We saw some places out on the plant floor I hadn't seen in a while because it's usually covered up with inventory, so we were just barely in time most of the time."); 179 (Magno) ("At a very short period of time our lead times extended out beyond what is typically normal for us.").

[30] *See* CR/PR at Tables V-6, V-7, V-8, V-9, and V-10. *See also* Hearing transcript at 176 (Vivian) ("We characterized this to our customers as not an availability issue, but a price issue.").

[31] Domestic producers: Hearing transcript at 179 (Barnes) ("We did not limit sales to anyone; however, we were watching their historical order patterns. I guess these were to prevent customers from hoarding material in advance of all the talk within the marketplace."); Purchasers: Hearing transcript at 181 (Thompson) (discussing uncertainty of domestic supply); Chinese respondents: Hearing transcript at 312 (Barringer) ("So, as the market was going up, up, up, there was panic buying").

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

[33] *See* Chinese respondents' pre-hearing brief at Exh. 6 (Northwest Pipe Co. News Release (Feb. 23, 2005) "We also believe ordering was down as our customers worked to reduce their own inventories and, possibly, delayed purchases as they assessed potential future steel costs."). *See also* Hearing transcript at 77 (Perrine) ("Some distributors reported that they have actively reduced inventories late in 2004 and continuing into 2005."); 85 (Vivian) ("We think that the observed decrease and apparent demand were largely caused by distributors having such high inventories on hand of standard pipe, of Chinese pipe and significant future orders that they decided to destock higher priced domestic products from their warehouses.")

[34] CR at V-14 n. 13, PR at V-9 n. 13 (most importers reported that lead times for delivery of Chinese product are in the range of three to four months).

[35] CR/PR at Table I-6 and CR/PR at III-1 n. 1.

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

non-subject products such as OCTG and line pipe, which reportedly have become more profitable.[37] While the domestic industry has the reported capacity to supply the entire U.S. market, its capacity utilization level never reached 60 percent even when demand was its strongest in the first half of 2004 and purchasers reported tight supply.[38] The domestic industry has been profitable throughout the period of investigation with an average ratio of operating income to net sales of about 6 percent before 2004. With strong demand, tight supply and rising prices, the domestic industry experienced a very strong 2004, particularly in first-half 2004 with a ratio of operating income to net sales of more than 17 percent. As the strong market demand cooled in 2005, the domestic industry's profitability returned to its historical average.[39]

In addition to domestic production, the market also is supplied by subject and non-subject imports. Over the period of investigation, total imports have supplied anywhere from a low of about 38 percent (2003) to a high of 48 percent (first-half 2005) of the market.[40] The shares of the market supplied by subject imports and non-subject imports have varied significantly during the period of investigation depending on certain events. Both an antidumping duty investigation in 2002 and the section 201 safeguard measures on steel products in place during 2002 and 2003 distorted import levels during those two years.[41] These events artificially depressed both subject imports and non-subject imports to the point that total import penetration was at its lowest in 2003 and the first half of 2004. These events had the largest impact on subject import levels in 2002. Subject imports have supplied anywhere from a low of 0.5 percent of the market (2002) to a high of 16.6 percent of the market (first-half 2005). Non-subject imports have supplied anywhere from 31 percent to 40 percent of the market. While subject import volume increased in the first-half of 2005, non-subject imports continued to supply almost twice the market share of subject imports (31.9 percent versus 16.6 percent).[42]

Circular welded non-alloy steel pipe, whether domestically produced or imported from China, generally is sold to distributors rather than end users. For U.S. producers, the percentage of shipments made to distributors ranged from about 65 percent to 73 percent. For U.S. importers, more than 90 percent of their shipments were made to distributors.[43] U.S. produced pipe, subject imports and non-subject imports are highly interchangeable and there is a relatively high degree of substitution between domestically produced pipe and subject imports.[44] Subject pipe from China, however, is largely viewed as inferior to the domestic product in terms of availability, delivery time and terms, product consistency,

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[37] CR/PR at III-3. *See, e.g.*, Chinese respondents' pre-hearing brief at Exh. 5 (Maverick Tube Corp. 10K (Dec. 31, 2004) "A significant market for standard pipe exists; however, we have chosen to reduce our sales in this market to focus on more profitable product lines."). *See also* Hearing transcript at 83 (Vivian); 177 (Barnes) ("We have the ability also to make oil country tubular goods at both our Camanche, Iowa, and our Blytheville facility and we have increased the production of those items.").

[38] CR/PR at Table C-1; CR at V-4 n. 1, PR at V-3 n. 1.

[39] CR/PR at Table III-8.

[40] CR/PR at Table V-1.

[41] In the antidumping duty investigation, the Commission determined that the domestic industry was not materially injured or threatened with material injury. *Circular Welded Non-Alloy Steel Pipe from China*, Inv. No. 731-TA-943, USITC Pub. 3523 (July 2002) at 3. In the safeguard investigation on steel products, the Commission determined that the domestic industry was threatened with serious injury. *Steel*, Inv. No. TA-201-73, USITC Pub. 3479 (Dec. 2001) at 158.

[42] CR/PR at Table V-1.

[43] CR/PR at V-3; CR/PR at Table I-4.

[44] *See* Producer Questionnaire Responses (questions IV-B-14 and IV-B-15) and Importer Questionnaire Responses (questions III-B-15 and III-B-16). CR at V-16-17, PR at V-11; CR at V-9-10, PR at V-7.

reliability of supply, technical support/service, and transportation network.[45] Moreover, "Buy American" policies reportedly account for 5 percent to 10 percent of sales in the U.S. market.[46]

Most domestic producers of circular welded non-alloy steel pipe are non-integrated producers; they purchase, rather than produce, the primary input for subject pipe, *i.e.* hot-rolled steel, on the spot market.[47] Raw materials, of which hot-rolled steel is the primary component, constitute more than two-thirds of the cost of production,[48] and prices for raw materials fluctuated significantly throughout the period, particularly since the end of 2003.[49] In response, domestic producers and importers increased prices for circular welded non-alloy steel pipe to all-time high levels. While domestic producers did not quite recover all of their rising costs toward the end of the period, they retained their historical level of profitability.

Projections for future demand are mixed.[50] U.S. producers generally projected that demand for circular welded non-alloy steel pipe would be fairly flat.[51] One importer appearing at the hearing stated that demand for the remainder of this year and probably all of next year is likely to be very strong.[52] One published source of data on construction reported that nonresidential building appeared to be gaining some momentum in mid-2005, but a jump in material prices has the potential to extend the pause experienced in this sector. It also noted that the damage from Hurricane Katrina is less intense on the nonresidential market, but that building materials will see continued upward pressure on prices and availability.[53]

C. The Domestic Industry Is Not Materially Injured Nor Is It Threatened With Material Injury

Statutory criterion. The second statutory criterion concerns whether the domestic industry is materially injured or threatened with material injury. Neither section 421 nor its legislative history defines the terms "material injury" or "threat," identifies economic factors to be considered, or cross-references any definitions, factors, or Commission practice under other statutory authorities to which the Commission might look for instruction. However, the term "material injury" appears in both section 406 of the Trade Act of 1974 and Title VII of the Tariff Act of 1930. Title VII of the Tariff Act defines "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant."[54] Section 406 does not define "material injury," but its legislative history contrasts the term with "serious" injury used in section 201 –

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[45] CR/PR at Table V-5.

[46] CR at V-12 n. 11, PR at V-9 n. 11.

[47] CR at III-19, PR at III-9-10; Hearing transcript at 158 (Dooner).

[48] CR/PR at Table III-8 and CR at V-22, PR at V-15; Hearing transcript at 68 (Dooner), 210 (Dooner).

[49] CR/PR at Figure V-2 and CR at V-22, PR at V-15; Hearing transcript at 282 (Prusa).

[50] CR at V-8, PR at V-6.

[51] Hearing transcript at 247 (Boggs), 248 (Perrine and Magno), and 249 (Barnes).

[52] Hearing transcript at 269-70 (Coibion).

[53] *"Hurricane Katrina: Implications for the Construction Industry,"* McGraw Hill Construction Special Report, http:www.construction.com/AboutUs/20050909pr.asp, retrieved Sept. 26, 2005.

[54] Section 771(7)(A); 19 U.S.C. § 1677(7)(A).

> the market disruption test is intended to be more easily met than the serious injury tests in section 201. . . . the term "material injury" in section 406 is intended to represent a lesser degree of injury than the term "serious injury" standard employed in section 201.[55]

In the absence of express direction in section 421, the Commission has found that "material injury" in section 421 cases represents a lesser degree of injury than "serious injury" under section 202 of the Trade Act.[56] This lesser degree of injury applies for both "present" injury and "threat" analyses. The Commission also has found it appropriate, in analyzing present material injury, to consider all relevant economic factors that have a bearing on the state of the industry, including the three broad factors in section 202(c)(1)(A) relating to idling of productive facilities, inability of firms to operate at a reasonable level of profitability, and unemployment or underemployment. The Commission also has considered other relevant economic factors, such as production, sales, inventories, capacity and capacity utilization, market share, employment, wages, productivity, profits, capital expenditures, and research and development expenditures. We do not view any single factor as necessarily dispositive, and have considered all relevant factors within the context of the relevant business cycle and conditions of competition that are distinctive to the affected industry.

Neither section 421 nor its legislative history defines the term "threat" of material injury, or cross references another definition, such as the statutory definition in section 202(c)(6)(D) of the Trade Act of 1974[57] or in title VII. Section 406 of the Trade Act did not define the term either. In past section 406 investigations, the Commission applied the definition in the 1974 legislative history of section 201, which defined a threat to exist "when serious injury, although not yet existing, is imminent."[58] Section 202 of the Trade Act was amended in 1994 to add a definition – new section 202(c)(6)(D) defines "threat of serious injury" to mean "serious injury that is clearly imminent."

In the absence of express direction in section 421, we find it appropriate to apply the definition of "threat" in section 202 of the Trade Act. We also find the factors set out in section 202(c)(1)(B) of the Trade Act relating to threat of injury to be instructive and apply those factors.[59] We employed this analysis in considering threat in the section 421 investigation *Certain Brake Drums and Rotors from China*.[60] We note that in section 201 cases the Commission has employed a somewhat different analysis in considering the issue of "threat" of injury, as opposed to present injury. In its "threat" analysis, the

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[55] Trade Act of 1974, Senate Report No. 93-1298, 93rd Cong., 2nd Sess., *reprinted in* 1974 U.S.C.A.A.N. 7186, 7343-44.

[56] *See, e.g., Certain Brake Drums and Rotors from China*, Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18.

[57] 19 U.S.C. § 2252(c)(6)(D).

[58] *See, e.g.*, U.S. House of Representatives, Committee on Ways and Means, *Trade Reform Act of 1973*, H.R. No. 93-571, 93d Cong., 1st Sess., p. 47.

[59] The factors listed in section 202(c)(1)(B) are as follows –

> (i) a decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, productivity, or employment (or increasing underemployment) in the domestic industry,
>
> (ii) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or are unable to maintain existing levels of expenditures for research and development,
>
> (iii) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets.

[60] Inv. No. TA-421-3, USITC Pub. 3622 (August 2003) at 18-19, 24-25, 27-29.

Commission has focused more on recent trends and projections – for example, on whether there has been a recent sharp deterioration in the condition of the industry and a recent surge in imports, and whether the surge in imports and decline in industry indicators are projected to continue into the future to injurious effect.[61]

Arguments of the parties. The parties disagree as to whether this criterion is satisfied, with the petitioner arguing that the domestic industry is materially injured and threatened with further material injury, and the respondents arguing that it is not.

Petitioners argue that the domestic industry is materially injured. They cite declines during the past 12 months in domestic capacity, production, shipments, operating income, and employment,[62] and a decline in domestic producers' share of the U.S. market that is nearly identical to the share gained by imports from China.[63] They also cite evidence of several recent production curtailments and several threatened curtailments and shutdowns if relief is not provided.[64] They argue that some domestic producers have cut prices or rolled back announced price increases to help their customers compete with distributors of Chinese products,[65] assert that Commission price data show "extremely high" margins of underselling, particularly in 2004 and 2005,[66] and cite several instances in which U.S. purchasers increased purchases of the Chinese product and reduced purchases of the domestic product.[67]

Petitioners argue in the alternative that the domestic industry is threatened with material injury. They argue that imports continue to grow, and were higher in the first half of 2005 than in the second half of 2004. They point to import licensing data which petitioners claim show that the volume of shipment from China will continue, in contrast to Chinese producer projections that show a decline in the second half of 2005.[68] They assert that foreign producer questionnaire responses indicate a potential to increase the volume of exports to the United States by 732,946 tons in 2005 and 756,810 tons in 2006, representing the ability to replace about half of domestic production.[69] They argue that the data about Chinese producers and production are incomplete; that most reporting foreign producers did not report the number of shifts upon which their calculations were based; that there are indications that new Chinese producers began shipping to the United States in the first half of 2005; and that Chinese producers have the ability to switch production between line pipe, OCTG, structural, and mechanical tubing, to standard pipe.[70]

The Chinese respondents argue that the domestic industry is not materially injured or threatened with material injury. They argue that the domestic industry is operating at strong rates of profitability;[71] that the industry has not idled productive facilities, but rather shuttered poorly situated or inefficient

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[61] *See, e.g., Crabmeat from Swimming Crabs*, Inv. No. TA-201-71, USITC Pub. 3349 (August 2000) at I-18-21; and *Lamb Meat*, Inv. No. TA-201-68, USITC Pub. 3176 (April 1999) at I-18-21. *See also, Steel*, Inv. TA-201-73, USITC Pub. 3479 (December 2001) at 163-66.

[62] Petitioners' pre-hearing brief at 8.

[63] Petitioners' pre-hearing brief at 9.

[64] Petitioners' pre-hearing brief at 10.

[65] Petitioners' pre-hearing brief at 12.

[66] Petitioners' pre-hearing brief at 13-14.

[67] Petitioners' pre-hearing brief at 17-18.

[68] Petitioners' pre-hearing brief at 19-20.

[69] Petitioners' pre-hearing brief at 21.

[70] Petitioners' pre-hearing brief at 22-22.

[71] Chinese respondents' pre-hearing brief at 14.

facilities;[72] that domestic employment is stable;[73] and that domestic production and shipments remain solid in the aftermath of the overheated 2004 market, although with some decline attributable to certain companies' emphasis on higher value, non-like products.[74] They also argue that the industry typically operates at less than full capacity, and that recent low utilization rates are a function of product switching and relatively low fixed costs.[75] MAN Ferrostaal similarly argued that the domestic industry is not materially injured or threatened with material injury, citing industry financial data, pricing, return on investment, capital expenditures, new acquisitions, and other indicia.[76]

The domestic industry is not materially injured. We find that the domestic industry producing circular welded non-alloy steel pipe is not materially injured. The various indicators show an industry that is, as a whole, healthy. The domestic industry was profitable throughout the period examined, reaching very strong levels in first-half 2004 coincident with a sharp rise in demand before returning to its historical average in the first-half of 2005. Domestic prices have been rising with rising costs and have reached peak levels in the most recent period. While some indicators such as production, employment and capacity utilization have declined during the period, the industry remains healthy. The year 2004 was an extraordinary year for the domestic industry because of unprecedented strong demand, which led to high levels of production, shipments, prices and profitability. When the market cooled at the end of 2004, most indicators declined back toward more traditional levels (*e.g.*, production, operating income, operating margins, employment).[77]

Operating income reported for U.S. producers on their circular welded non-alloy steel pipe operations was positive in each year of the period. Operating income as measured by both value and as a ratio to net sales was at its highest level in 2004, particularly in first-half 2004, and although down in first-half 2005, it declined only to its historically healthy levels of around 6 percent. Operating income rose irregularly over the period of investigation by 81.6 percent. Operating income initially fell from $73.2 million in 2000 to $44.7 million in 2001, and then rose to $67.7 million in 2002 before falling to $25.2 million in 2003, and then rose to historically high levels of $132.9 million in 2004. Operating income declined in first-half 2005 to $40.1 million, but this amount exceeds full-year 2003 levels and almost reaches full-year 2001 levels. It also was better than half of the full-year operating income levels for 2000 and 2002.[78]

Operating margins follow an identical pattern, at 7.5 percent in 2000, 5.0 percent in 2001, 9.0 percent in 2002, 3.3 percent in 2003, and 11.7 percent in 2004.[79] While operating margins declined from a period high of 17.2 percent in first-half 2004 to 6.7 percent in first-half 2005, they returned to their historical average after an extraordinarily profitable period. Even though the industry returned to its normal levels of profitability in first-half 2005, only two of 16 firms reported losses in contrast to five or

[72] Chinese respondents' pre-hearing brief at 19-20.

[73] Chinese respondents' pre-hearing brief at 20.

[74] Chinese respondents' pre-hearing brief at 21.

[75] Chinese respondents' pre-hearing brief at 24.

[76] MAN Ferrostaal pre-hearing brief at 7-11.

[77] As noted, under our rapidly increasing imports analysis, we focus on the most recent period of time to determine whether market disruption exists. As noted in our discussion of conditions of competition, however, this market experienced extraordinary demand and price volatility that began at the end of 2003 and cooled to a certain degree at the end of 2004. Thus, while our analysis for material injury focuses on the most recent period of time, we consider the financial and performance indicators for the full period of investigation in order to determine the historical norm.

[78] CR/PR at Table III-8.

[79] CR/PR at Table III-8.

six reporting losses in 2001, 2002, and 2003.[80] The four largest domestic producers, which accounted for 71.6 percent of domestic production, were profitable in first-half 2005.[81] Other indicators fluctuated throughout the period of investigation, but remain positive in first-half 2005, including U.S. producers' capital expenditures,[82] research and development expenses,[83] and return on investment.[84] The ratio of cost of goods sold to net sales for U.S. producers remained in a fairly narrow band from 2000 through 2002, but then the ratio fluctuated significantly primarily because of fluctuating raw material costs.[85]

The Commission collected pricing data on five circular welded non-alloy steel pipe products. Four of the five products were suggested by petitioners as large-volume products encompassing representative competition between the U.S.-produced and imported Chinese subject pipe.[86] Twelve U.S. producers and 17 importers provided usable pricing data, although not all firms reported pricing data for all products. The data accounted for 33.1 percent of the 2004 value of commercial shipments of U.S. produced subject pipe and 44.9 percent of the 2004 value of shipments of subject imports.[87] The pricing data for all products show that (1) the Chinese products consistently undersold the comparable domestic products in 84 of 104 quarterly instances, and (2) prices of the Chinese products generally were increasing but their margins of underselling the domestic products increased as prices on domestically produced products rose at a faster rate.[88] Prices for all five domestic products generally reached their highest levels at the end of 2004 or the beginning of 2005.[89] Thus, the pricing data indicate that the rapidly increasing imports of circular welded non-alloy steel pipe from China are having little, if any, impact on prices of domestic subject pipe, at least in the case of the products suggested by petitioners as representative of competition between the imported Chinese products and domestic products. They also provide no evidence that the subject Chinese imports are acting as price leaders and forcing domestic producers to reduce prices.

In the recent period, there have not been any closures of facilities and some firms have consolidated some of their operations. In May 2004, Northwest Pipe shifted production of standard pipe from its Portland, OR facility to its Atchison, KS facility. In September 2004, Northwest Pipe shifted production of galvanized fence pipe from Bossier City, LA facility to its Houston, TX facility. Other firms, such as ***, have used capital expenditures since 2003 to upgrade facilities.[90]

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[80] CR/PR at Table III-8.

[81] CR/PR at Table III-9.

[82] Capital expenditures fluctuated, and were at their highest level in 2001 and lowest level in 2000 (2000: $25.0 million, 2001: $65.3 million, 2002: $64.5 million, 2003: $34.7 million, 2004: $25.7 million, interim 2004: $10.3 million, interim 2005: $12.5 million). CR/PR at Table III-12.

[83] Research and development expenses fluctuated during the period examined, and were at their highest level in 2002 and lowest level in 2004 ($1.0 million in 2000, $1.2 million in 2001 and $*** million in 2002, $*** million in 2003, $919,000 in 2004, $472,000 in interim 2004, $519,000 in interim 2005). CR/PR at Table III-13.

[84] Return on investment fluctuated throughout the period examined (12.7 percent in 2000, 8.8 percent in 2001, 9.9 percent in 2002, 3.9 percent in 2003, 17.8 percent in 2004, 14.3 percent in interim 2004, 5.3 percent in interim 2005). CR/PR at Table III-14.

[85] The ratio of cost of goods sold to net sales was 85.0 percent in 2000, 85.9 percent in 2001, 83.2 percent in 2002, 89.3 percent in 2003, and 81.2 percent in 2004. It was 76.0 percent in interim 2004 and 87.4 percent in interim 2005. CR/PR at Table III-8.

[86] CR at V-26 n. 34, PR at V-18 n. 34.

[87] CR at V-26-27, PR at V-18.

[88] CR at V-35, PR at V-27; CR/PR at Tables V-6, V-7, V-8, V-9, V-10.

[89] CR/PR at Tables V-6, V-7, V-8, V-9, V-10.

[90] CR at I-21-25, PR at I-17-19.

Other indicators of the domestic industry's condition have fluctuated in a manner similar to the industry's profitability. Generally, they reached high levels in 2004 and returned to more traditional levels in first-half 2005. Capacity declined in 2004, but was higher than in 2001 and 2002.[91] Production irregularly declined over the period.[92] While production declined more sharply in first-half 2005 compared to first-half 2004,[93] there is evidence that a number of domestic producers have shifted production from subject product to non-subject product, which has been more profitable to produce.[94] Moreover, production in first-half 2004 was at historically high levels in order to meet strong market demand. Production declined in first-half 2005 as distributors purchased less product in order to work off their high level of inventories. Likewise, capacity utilization followed a similar pattern.[95] U.S. producers' U.S. shipments also irregularly declined over the period.[96] U.S. producers' end-of-period inventories declined over the period of investigation until they rose slightly in first-half 2005 back to their historical levels.[97] U.S. producers' market share also fluctuated during the period of investigation.[98]

Employment and hours worked trended downward during the period examined, but wages paid, hourly wages and productivity all increased until first-half 2005. Employment irregularly declined over the period examined, which followed the industry's production trend.[99] Hours worked followed a similar pattern. However, hourly wages (in dollars per hour) generally increased over the period examined and were at their highest level in first-half 2005. While productivity declined in first-half 2005 as compared

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[91] Production capacity was 2.59 million tons in 2000, 2.35 million tons in 2001, 2.39 million tons in 2002, 2.62 million tons in 2003, and 2.54 million tons in 2004. It was 1.37 million tons in interim 2004 and 1.31 million tons in interim 2005. CR/PR at Table III-1.

[92] Production was 1.52 million tons in 2000, 1.35 million tons in 2001, 1.40 million tons in 2002, 1.28 million tons in 2003, and 1.42 million tons in 2004. CR/PR at Table III-1.

[93] Production was 0.82 million tons in interim 2004 and 0.59 million tons in interim 2005. CR/PR at Table III-1.

[94] The domestic industry increased production of OCTG and line pipe (non-subject products), by 122,585 short tons from first-half 2004 to first-half 2005. CR/PR at Table III-2. *See, e.g.,* Chinese respondents' pre-hearing brief at Exh. 5 (Maverick Tube Corp. 10K (Dec. 31, 2004) "A significant market for standard pipe exists; however, we have chosen to reduce our sales in this market to focus on more profitable product lines.").

[95] Capacity utilization was 58.8 percent in 2000, 57.6 percent in 2001, 58.6 percent in 2002, 48.7 percent in 2003 and 55.8 percent in 2004. It was 59.7 percent in interim 2004 and 44.9 percent in interim 2005. CR/PR at Table III-1.

[96] U.S. shipments were 1.48 million tons in 2000, 1.35 million tons in 2001, 1.33 million tons in 2002, 1.28 million tons in 2003, and 1.37 million tons in 2004. They were 0.80 million tons in interim 2004 and 0.58 million tons in interim 2005. CR/PR at Table III-4.

[97] CR/PR at Table III-5.

[98] U.S. producers' market share was 57.6 percent in 2000, 59.1 percent in 2001, 60.0 percent in 2002, 61.5 percent in 2003, and 56.4 percent in 2004. It was 62.0 percent in interim 2004 and 51.6 percent in interim 2005. CR/PR at Table V-1.

[99] The number of production and related workers was 2,434 in 2000, 2,283 in 2001, 2,378 in 2002, 2,074 in 2003 and 2,304 in 2004. They were 2,451 in interim 2004 and 2,051 in interim 2005. CR/PR at Table III-7. While the number of production and related workers declined by 400 positions from interim 2004 to interim 2005, the industry's employment levels traditionally have fluctuated with the level of production. First-half 2004 represented high levels of production during a surging market, while employment declined in first-half 2005 as the market worked off distributor inventory and production declined. Moreover, while most of this decline in the workforce represents dismissed workers, about 18 percent of the workforce was transferred to the production of non-subject product. CR at III-9, PR at III-6.

to first-half 2004, it remained strong and was higher than it had been three of the five years of the period.[100]

In view of the above, we find that the indicators relating to the condition of the domestic industry, while mixed, do not show that the domestic industry producing circular welded non-alloy steel pipe is materially injured. The industry as a whole was profitable throughout the period examined; operating income reached very high levels in 2004 before returning to its historical average in 2005. Prices were rising, reached their highest levels in early 2005 and the domestic industry generally was able to pass through a significant amount of rising raw material costs. While some indicators such as production, employment and capacity utilization have declined during the period, the industry remains healthy.

The domestic industry is not threatened with material injury. We also do not find that the domestic industry producing circular welded non-alloy steel pipe is threatened with material injury – that is, we do not find that material injury is clearly imminent. Rather, the indicators as a whole show stable prices and a stable industry with high levels of operating income, and a continuing ability to make the investments necessary to modernize and remain competitive. While the domestic industry is adjusting to its return to traditional levels of profitability, the current lower levels of production, shipments and employment should improve in the imminent future as distributors have worked off much of their inventory overhang and as demand for circular welded non-alloy steel pipe remains stable or improves. Nor is there evidence of threat of injury in the form of unused capacity or forthcoming capacity in China, signed contracts, or shipments in transit that would indicate imminent material injury from the subject imports.

Significantly, as stated in our analysis of present material injury, we have found that industry operating income, which was positive throughout the period examined, was at its highest level in 2004; the ratio of operating income to net sales in first-half 2005, while down from the extraordinary level in first-half 2004, was still above 6 percent, the industry historical average.[101] Industry capital expenditures increased from first-half 2004,[102] indicating that the industry was not having difficulty raising capital to modernize plants and equipment. Hourly wages and productivity either are at their period high or remain at high levels.[103]

There is little evidence of a downturn in prices. Generally, prices for the five representative products reached their highest levels toward the end of the period examined and remain relatively stable even though demand has declined. Any recent declines have been relatively minor and prices for the second quarter of 2005 were more than $200 to $350 greater than they were in the first quarter of 2004.[104] Petitioners assert that the industry is threatened with material injury because subject imports will prevent domestic producers from raising prices in the face of newly increasing raw material costs. While the ratio of cost of goods sold to net sales has increased significantly over the past year, the pricing data for the last year show that the domestic industry has the ability to raise prices to cover a significant portion of its increasing costs.[105] Moreover, in response to rising raw material costs, a number of domestic producers

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

[101] CR/PR at Table III-8.

[102] CR/PR at Table III-12.

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

[104] CR/PR at Tables V-6, V-7, V-8, V-9, V-10.

[105] We acknowledge that the ratio of cost of goods sold to net sales has increased significantly over the past year and is higher in first-half 2005 than it was in second-half 2004. Raw materials, of which hot-rolled steel is the primary component, constitute more than two-thirds of the cost of production. While prices for hot-rolled steel have declined from their September 2004 peak, domestic producers' reported purchases of hot-rolled sheet for first-half 2005 continue to show that their costs have risen since second-half 2004. *Compare* CR/PR at Figure V-2 *to* CR/PR

(continued...)

recently have announced price increases to cover part of these costs.[106] While petitioners argue that these recent price increases may not be adopted,[107] the record evidence indicates otherwise. Indeed, with the sharp rise of raw material costs beginning toward the end of 2003, the record shows domestic producers announcing price increases almost as soon as their raw material costs rose.[108] Moreover, the pricing data show that domestic producers generally succeeded in raising their prices, to peak levels, over the course of the past 18 months with subject import volume rising.[109] Thus, domestic producers' past success indicates that their recent price increases are likely to succeed.

While several indicators such as production, shipments, employment, and wages paid recently declined, this decline is in response to the extraordinary demand and price volatility that began at the end of 2003 and cooled to a certain degree at the end of 2004. The declines in production, shipments and employment correspond directly to the fact that domestic producers had to expand production in first-half 2004 to historically high levels in order to meet strong market demand. Production declined in first-half 2005 as distributors purchased less product in order to work off their high level of inventories.

We also examined several other possible indicators of a threat of material injury, including importer inventories, the extent to which the United States market is the focal point for the diversion of exports of the product by reason of restraints on imports or exports by other countries, and recent data and projections for Chinese circular welded non-alloy steel pipe capacity, production, and shipments. We do not find that these indicators suggest material injury to be imminent.

We are unaware of any restraints on imports or exports that have the effect of diverting circular welded non-alloy steel pipe to the U.S. market.[110]

Data provided by responding Chinese manufacturers of circular welded non-alloy steel pipe show that their capacity, production, and shipments, including shipments to the home market and to the United States and other foreign market, all have increased significantly on an annual basis during the period examined, but the data also show that responding Chinese manufacturers project that their capacity,

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[105] (...continued)
at Table III-10. We note, however, that counsel for petitioners attributed this discrepancy to the fact that the public data for hot-rolled steel reflect spot prices for future delivery from the steel mills, whereas the data reported by U.S. producers reflect their purchase costs upon receipt of the hot-rolled steel. The time between order placement and receipt of the hot-rolled steel reportedly is two to four months. CR at III-19 n. 8, PR at III-10 n. 8. This explains the dichotomy between lower raw material costs on the open market in first-half 2005, but higher domestic producer reported raw material costs in their financials. Thus, as the domestic producers work through their higher-cost raw material supplies to produce subject pipe, the domestic industry's cost of goods sold should decline in second-half 2005, thereby alleviating any price suppression. Indeed, Maverick Tube has confirmed this fact. Chinese respondents' pre-hearing brief at Exh. 5 (Maverick Tube Corp. 10Q (June 30, 2005) "We expect to see the benefit of lower cost steel in our income statement in the third and fourth quarters, of 2005.").

[106] CR/PR at Tables V-6, V-7, V-8, V-9, V-10; CR/PR at Table III-8. The record contains company specific examples of recent price increases. *See* Chinese respondents' pre-hearing brief at Exh. 2. *See also* Hearing transcript at 69 (Dooner) (Wheatland), 150 (Boggs) (Allied), 151 (Barnes) (IPSCO), and 152 (Lux) (Maverick).

[107] Hearing transcript at 151 (Barnes).

[108] *See* Chinese respondents' pre-hearing brief at Exh. 2.

[109] CR/PR at Tables V-6, V-7, V-8, V-9, V-10. *See also* Hearing transcript at 68 (Dooner) ("I'm sure you all read in the Respondent's brief that we had a series of price increases in 2003 and 2004. In fact, we did, and we were able to pass along huge price increases in our basic raw material, which is hot-rolled coil. . . . If we weren't able to pass along these price increases, we wouldn't be here today").

[110] CR at IV-12, PR at IV-9. End-of-period importer inventories were 7,415 short tons in interim 2004 and 14,339 short tons in interim 2005.

production, and shipments, including to the United States, will be similar to 2004 levels.[111] For the period examined, they reported that their largest increase in each of the indicators occurred between 2000 and 2001, and the smallest increase between 2003 and 2004. We note that while Chinese capacity utilization figures are not high (roughly 79 percent), they have remained consistent over the years and are projected to remain at the current levels in the future.[112]

In addition, shipments to the Chinese home market have increased considerably during the period examined.[113] We also note that shipments to foreign markets other than the United States have increased significantly during the period of investigation and are projected to increase in the future. Moreover, when U.S. imports of Chinese subject product were the lowest in 2002 because of the pending antidumping duty investigation and the broader safeguard measures on steel products, data show that Chinese exporters found new foreign markets, which they have continued to supply for several years even though the U.S. market no longer has any import restraints on Chinese product.[114] This indicates that Chinese producers are less likely to shift exports from other foreign markets to the United States.

End-of-period importer inventories of circular welded non-alloy steel pipe from China rose from 3,253 short tons in 2000 to 17,532 short tons in 2004.[115] While importer inventories of subject pipe from China have increased, so too have importer inventories from all other sources, which coincide with the strong market demand in 2004.[116] Inventories held in China are minimal (less than 10 percent) as a ratio to total shipments.[117]

In summary, while some recent indicators show declines, the domestic industry remains healthy and these declines simply represent a re-adjustment from the levels experienced before the extraordinary high demand of 2004. More important, distributors have used first-half 2005 to reduce their inventory levels from the peak in 2004 when they were concerned over their ability to obtain subject pipe. Moreover, demand should, at worst, remain steady, but most likely will improve, particularly in light of rebuilding efforts along the Gulf Coast following Hurricanes Katrina and Rita.

Therefore, for the aforementioned reasons, we find that the domestic industry producing circular welded non-alloy steel pipe is neither materially injured nor threatened with material injury.

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

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

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

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

[115] CR/PR at Table IV-6.

[116] CR/PR at Table IV-6.

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

IV. CONCLUSION

Having found, for the reasons set forth above, that the domestic industry producing circular welded non-alloy steel pipe is not materially injured or threatened with material injury, we find that neither market disruption nor the threat of market disruption exists. Accordingly, we make a negative determination that circular welded non-alloy steel pipe from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of circular welded non-alloy steel pipe.

V. VIEWS REGARDING REMEDY

Section 421(f) provides that the Commission, upon making an affirmative determination "shall propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption." The same section also states that "{m}embers of the Commission who did not agree to the affirmative determination may submit, in the report" to the President and the U.S. Trade Representative, "separate views regarding what action, if any, should be taken to prevent or remedy market disruption."[118]

Having found that the domestic industry producing circular welded non-alloy steel pipe is neither materially injured nor threatened with material injury, we recommend against the President granting any relief. If, however, the President provides import relief for the domestic industry, we recommend that he consider the following.

The industry remains healthy and generally has returned to its more traditional levels of performance following an extraordinarily profitable period in first-half 2004. Prices remain near peak levels. Moreover, the primary purchasers of circular welded non-alloy steel pipe, *i.e.*, distributors, have used first-half 2005 to reduce their inventory levels from the higher levels amassed in 2004. Demand for subject pipe depends on the level of demand for downstream products, such as commercial and residential fencing, plumbing, heating and air conditioning systems, sprinkler systems, and, as an intermediate product for protection of electrical wiring, as a conduit shell. Projections for demand are mixed.[119] U.S. producers generally project that demand for circular welded non-alloy steel pipe will be fairly flat.[120] An importer appearing at the hearing stated that demand for the remainder of this year and probably all of next year is likely to be very strong.[121] At worst, demand should remain steady, but most likely will improve, particularly in light of the rebuilding efforts along the Gulf Coast following Hurricanes Katrina and Rita.[122]

Domestic producers reported significant unused capacity throughout the period. Based on these data, inventory levels, and production alternatives (*i.e.*, the ability of U.S. producers to shift production between subject pipe and other products), Commission staff believes that domestic producers are likely to respond to changes in demand with relatively large changes in shipments.[123] We note, however, that while the domestic industry has reported excess capacity, its capacity utilization level never reached

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[118] 19 U.S.C. § 2451(f).

[119] CR at V-8, PR at V-7.

[120] Hearing transcript at 247 (Boggs), 248 (Perrine and Magno), and 249 (Barnes).

[121] Hearing transcript at 269-70 (Coibion).

[122] "*Hurricane Katrina: Implications for the Construction Industry,*" McGraw Hill Construction Special Report, http:www.construction.com/AboutUs/20050909pr.asp, retrieved Sept. 26, 2005.

[123] CR at V-3, PR at V-3.

60 percent even when demand was its strongest in the first half of 2004 and purchasers reported tight supply.[124]

Circular welded non-alloy steel pipe was imported from a large number of non-subject countries during the period for which data were collected more than 50 countries.[125] Based on quantity of imports in 2004, the top ten non-subject sources were Canada, Thailand, Mexico, Korea, Turkey, India, Romania, Philippines, Colombia, and Taiwan. Imports of the subject product from non-subject countries accounted for 85.0 percent, 83.3 percent, 98.9 percent, 88.5 percent, and 74.8 percent of total imports during 2000-04, respectively. Non-subject imports, as a percentage of total imports, declined to 65.8 percent in interim 2005.[126] [127]

Circular welded non-alloy steel pipe from different country sources are used interchangeably.[128] The vast majority of responding purchasers (17 of 18) reported that they did not specifically order subject pipe from one source. Available data indicate that many purchasers buy subject pipe from both domestic and imported sources. Purchasers described mixing Chinese and non-subject country pipe in their inventories.[129]

In deciding what type and amount of relief is necessary to address the market disruption found by the Commission majority (*i.e.*, present material injury (Chairman Koplan and Commissioner Lane) or threat of market disruption (Commissioners Hillman and Aranoff)), we recommend that the President consider the following. First, China has been a supplier throughout the period examined at non-injurious levels. The majority of the Commission found that the domestic industry is not presently suffering material injury (*i.e.*, two negative votes and two threat of market disruption votes). Moreover, in a related antidumping duty investigation, the Commission determined that the domestic industry was not materially injured or threatened with material injury by reason of subject Chinese imports.[130] In a broader global safeguard investigation on steel products, the Commission determined that the domestic industry was threatened with serious injury.[131] Both the antidumping duty investigation and the section 201 safeguard measures on steel products in place during 2002 and 2003 distorted import levels during those two years as evidenced by the sharp reduction in subject import volume in 2002 and 2003. Thus, if imports of Chinese circular welded non-alloy steel pipe have caused any injury, it must have occurred recently. Second, imposition of a simple tariff would be inappropriate because it would apply to all subject imports from China, including non-injurious levels, thus resulting in a remedy that would go beyond that which would be necessary to remedy the market disruption found to exist. Third, imposition of a straight quota

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[124] CR/PR at Table C-1; CR at V-4 n.1, PR at V-3 n.1.

[125] CR/PR at Table E-1.

[126] CR at V-6, PR at V-5.

[127] The record indicates that while China captured increased market share from U.S. producers, non-subject import market share remained relatively stable. CR/PR at Table II-2. An evaluation only of market share, however, distorts the larger picture because the decline in domestic shipments far outstrips the increase in subject imports. In actual terms, the decline in U.S. shipments of domestically produced subject pipe was 222,405 short tons between first-half 2004 and first-half 2005. CR/PR at Table III-4. The increase in shipments of subject imports from China was 97,129 short tons during this period. CR/PR at Table II-1. The decline in non-subject imports was 45,510 short tons during this period. CR/PR at Table II-1. Thus, almost half of the increase in subject imports came at the expense of non-subject imports.

[128] *See* Producer Questionnaire Responses (questions IV-B-14 and IV-B-15) and Importer Questionnaire Responses (questions III-B-15 and III-B-16).

[129] CR at V-12, PR at V-9. Purchases by reporting firms accounted for *** percent of U.S. producers' shipments of domestic product, *** percent of imports from China, and *** percent of imports from non-subject countries. CR at V-12 n. 12, PR at V-9 n. 12.

[130] *Circular Welded Non-Alloy Steel Pipe from China*, Inv. No. 731-TA-943, USITC Pub. 3523 (July 2002) at 3.

[131] *Steel*, Inv. No. TA-201-73, USITC Pub. 3479 (Dec. 2001) at 158.

also would be inappropriate here because it would establish a rigid ceiling and might create shortages and other disruption, especially if demand intensifies because of the rebuilding effort along the Gulf Coast.

Thus, if the President decides to grant relief, we recommend a tariff-rate quota as the most effective remedy. It would allow a non-injurious level of imports to enter without disrupting the U.S. market. Such a remedy also should be consistent with a threat of material injury finding. As we found in the negative, we will not offer a concrete remedy recommendation. However, a remedy that is consistent with a threat finding should be based on recent volume data (*e.g.*, the last 12 months of our record shows a subject import volume of about 365,000 short tons). The most current import data (July, August and September) indicate that imports of subject pipe from China have continued their average monthly volume of about 30,000 short tons.[132] We note that an over-quota tariff should not be large for a number of reasons. First, the record indicates that the domestic industry does not have to meet Chinese price to be competitive in the market.[133] Second, prices in the U.S. market are already high. Indeed, collected pricing data show that prices of domestically produced product are near their peak levels and are more than $200 to $350 per short ton more expensive than they were in the first quarter of 2004. We agree that domestic producers should be able to recover their increasing costs of raw materials, but to date, they have been relatively successful in doing so. Third, if demand does increase as some have predicted or as a result of the Gulf Coast rebuilding efforts, a high over-quota tariff may create a situation similar to what occurred in 2004 with tight supply. Fourth, as Chinese and non-subject circular welded non-alloy steel pipe are highly substitutable, a high over-quota tariff would encourage increasing shipments of non-subject product, thus mitigating any potential benefit to the domestic industry.

Finally, consistent with previous Commission remedy recommendations under section 421, the tariff-rate quota should take into account the fact that the remedy is temporary in nature. Although not required by section 421, we recommend that the President reduce the degree of protection during the length of time for the remedial measure. Liberalization is consistent with the purpose of the global safeguard statute, which is to encourage the domestic industry to take the necessary steps to adjust to import competition once the relief terminates.[134]

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[132] U.S. Department of Commerce Steel Import Monitoring and Analysis System.

[133] Hearing transcript at 165 (Miller) ("As long as {domestic producers are} within eight to 12 percent higher we'll buy domestically just because of the supply chain issues and the amount of inventory that we have to carry, that there's a cost to that inventory."); 166 (Thompson) ("Typically if we see something in the neighborhood of an eight to 10 percent difference that's when we start scratching our heads and saying okay, how much do we want to go domestic versus how much do we want to go foreign. Plus we're always rolling the dice a little bit on what's the market going to do between the time we place the order for the pipe and 120 days later when it comes in?").

[134] Respondent parties requested that the Commission either exclude imports of dual- or multiple-stenciled pipe from the scope of the investigation, or in the alternative, that the Commission follow the Commerce practice in Title VII investigations, under which it will not instruct Customs to require end-use certifications until such time as the petitioner or other interested parties provide Commerce with a reasonable basis to believe or suspect that the products are being utilized in a covered application. Dual- or multiple-stenciled pipe is pipe that meets the American Society for Testing and Materials (ASTM) specifications for standard pipe and the American Petroleum Institute (API) specifications for line pipe. Petitioners object to either approach. The record indicates that little, if any, dual- or multiple-stenciled pipe has entered during the period examined. We think that it would be difficult to implement any end-use requirement effectively in this situation and thus recommend that the President consider this issue if he imposes import relief.

PART I: INTRODUCTION

BACKGROUND

On August 2, 2005, a petition was filed on behalf of Allied Tube and Conduit Corp., Harvey, IL; IPSCO Tubulars, Inc., Camanche, IA; Maruichi American Corp., Santa Fe Springs, CA; Maverick Tube Corp., Chesterfield, MO; Sharon Tube Co., Sharon, PA; Western Tube Conduit Corp., Long Beach, CA; Wheatland Tube Co., Wheatland, PA; and the United Steelworkers of America, AFL-CIO, Pittsburgh, PA, requesting that the Commission institute an investigation under section 421(b) of the Trade Act of 1974 (19 U.S.C. § 2451(b)) (the Act), to determine whether circular welded non-alloy steel pipe[1] from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products (section 421(a) of the Act (19 U.S.C. § 2451(a)). Effective August 2, 2005, the Commission instituted investigation No. TA-421-6. Information relating to the timetable for the investigation is provided below.[2]

Effective date	Action
August 2, 2005	Petition filed with the Commission; institution of inv. No. TA-421-6 (70 FR 46543, August 10, 2005)
September 16, 2005	Commission's hearing[1]
October 3, 2005	Commission's vote on market disruption (70 FR 58746, October 7, 2005) and determination transmitted to the President
October 11, 2005	Commission's vote on remedy
October 21, 2005	Commission's report transmitted to the President

[1] A list of hearing witnesses is presented in app. B.

PREVIOUS AND RELATED INVESTIGATIONS

Title VII Investigations

The Commission has conducted a number of previous import relief investigations on circular welded non-alloy steel pipe or substantially similar merchandise. The following tabulation presents a list of investigations which resulted in negative Commission determinations.

[1] A complete description of the imported products subject to this investigation is presented in *The Subject Product* segment of this section of the report.

[2] The *Federal Register* notice cited in the tabulation is presented in app. A.

Inv. No.	Date of petition	Country	Determination
731-TA-732	April 26, 1995	Romania	Negative
731-TA-733	April 26, 1995	South Africa	Negative
731-TA-943	May 24, 2001	China	Negative
731-TA-944	May 24, 2001	Indonesia	Negative (P)
731-TA-945	May 24, 2001	Malaysia	Negative (P)
731-TA-946	May 24, 2001	Romania	Negative (P)
731-TA-947	May 24, 2001	South Africa	Negative (P)

Ten additional investigations on the subject product resulted in the issuance of antidumping and countervailing duty orders and are listed in the tabulation below.

Source	ITC inv. No.	Commerce inv. No.	Order date	Continuation date	DOC margins[1] (*percent ad valorem*)
Taiwan (small diameter)	731-TA-132	A-583-008	05/07/1984	08/22/2000	9.70 - 43.70
Turkey	701-TA-253	C-489-502	03/07/1986	08/22/2000	0 -2.90
Thailand	731-TA-252	A-549-502	03/11/1986	08/22/2000	15.60 - 15.69
India	731-TA-271	A-533-502	05/12/1986	08/22/2000	7.08
Turkey	731-TA-273	A-489-501	05/15/1986	08/22/2000	1.26 - 23.12
Brazil	731-TA-532	A-351-809	11/02/1992	08/22/2000	103.38
Korea	731-TA-533	A-580-809	11/02/1992	08/22/2000	4.62 - 11.63
Mexico	731-TA-534	A-201-805	11/02/1992	08/22/2000	32.62
Taiwan	731-TA-536	A-583-814	11/02/1992	08/22/2000	19.46 -27.65
Venezuela	731-TA-537	A-307-805	11/02/1992	ITC Negative–Order Revoked	52.51

[1] Commerce final results of the first five-year reviews (*see Certain Pipe and Tube from Argentina, Brazil, Canada, India, Korea, Mexico, Singapore, Taiwan, Thailand, Turkey, and Venezuela* (Inv. Nos. 701-TA-253 and 731-TA-132, 252, 271, 273, 276, 277, 296, 409, 410, 532-534, 536, and 537 (Review), USITC Publication 3316, July 2000, p. CIRC-I-11.

One countervailing duty and eight antidumping orders currently in effect are the subject of second five-year review investigations that were instituted by the Commission on July 1, 2005.

Safeguard Investigation and Import Restraint Mechanisms

In 2001, the Commission conducted a safeguard investigation of steel products (Inv. No. TA-201-73) that included circular welded non-alloy steel pipe. Following affirmative determinations of serious injury and remedy recommendations by the Commission, the President issued a proclamation on March 5, 2002, imposing temporary import relief, effective March 20, 2002, for a period not to exceed three years and one day, on imports of certain steel tubular products, including the subject pipe.[3] Import relief

[3] *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products*, 67 FR 10553 (March 7, 2002). The safeguard measures were applied to imports (continued...)

relating to certain carbon and alloy welded tubular products (other than oil country tubular goods) consisted of an additional tariff of 15 percent *ad valorem* on imports in the first year, 12 percent in the second year, and 9 percent in the third year.

On September 19, 2003, the Commission submitted a mid-term report to the President and the Congress on the results of its monitoring of developments in the steel industry, as required by section 204(a)(2) of the Trade Act of 1974.[4] The Commission's monitoring report noted that, since the safeguard measures were instituted, the U.S. industry producing certain carbon and alloy welded pipe and tube increased its market share to 62.9 percent from 57.3 percent, that the total quantity of imports from subject sources declined, and that demand for welded pipe and tube during the relief period also declined. The review also noted that because of declining demand, the industry's output-related indicators were mixed.[5]

On December 4, 2003, President Bush terminated the steel safeguard tariffs.[6] However, the President directed Commerce to continue an import monitoring system until the earlier of March 21, 2005, or such time as the Secretary of Commerce established a replacement program.[7] On March 21, 2005, the Commission instituted an investigation under section 204(d) of the Trade Act of 1974 for the purpose of evaluating the effectiveness of the relief action imposed by the President on imports of certain steel products. The Commission's report on the evaluation was transmitted to the President and the Congress on September 19, 2005.

DISTRIBUTION OF CONTINUED DUMPING AND SUBSIDY OFFSET ACT FUNDS TO AFFECTED DOMESTIC PRODUCERS

The Continued Dumping and Subsidy Offset Act of 2000 ("CDSOA") (also known as the Byrd Amendment) provides that assessed duties received pursuant to antidumping or countervailing duty orders must be distributed to affected domestic producers for certain qualifying expenditures that these producers incur after the issuance of such orders.[8] During the period of investigation, qualified U.S. producers of circular welded non-alloy steel pipe were eligible to receive disbursements from the U.S. Customs and Border Protection ("Customs") under CDSOA relating to one countervailing duty and eight antidumping duty orders on the subject product.[9] Table I-1 presents CDSOA disbursements and claims for federal fiscal years (October 1-September 30) 2001-04.

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[3] (...continued)
of subject steel products from all countries except Canada, Israel, Jordan, and Mexico, and developing countries that are members of the World Trade Organization (WTO), whose share of total imports of a particular product did not exceed 3 percent (provided that imports that are the product of all such countries with less than 3 percent import share collectively accounted for not more than 9 percent of total imports of the product).

[4] *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003.

[5] *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, Volume I, USITC Publication 3632, September 2003, p. xvi.

[6] *Presidential Proclamation 7741 of December 4, 2003, To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483 (December 8, 2003).

[7] On March 11, 2005, Commerce published interim final rules for its Steel Import Monitoring and Analysis System ("SIMA"), originally outlined in the President's March 5, 2002, Proclamation on Steel Safeguards. Modifications to SIMA were implemented on June 9, 2005. *Steel Import Monitoring and Analysis System*, 70 FR 12133-12140 (March 11, 2005).

[8] Section 754 of the Tariff Act of 1930, as amended (19 U.S.C. § 1675(c)).

[9] 19 CFR 159.64 (g).

Table I-1
Circular welded non-alloy steel pipe: CDSOA disbursements, by cases and firms, and CDSOA amounts claimed, federal fiscal years 2001-04

Item	2001	2002	2003	2004
			Disbursements[1] (*dollars*)	
By import source:				
Brazil	13,841	0	0	0
India	6,271	1,792	12,334	151,293
Korea	2,730,659	2,269,488	464,129	5,982,092
Mexico	237,665	54,338	382,304	1,329,884
Taiwan (2 AD orders)	0	52	27,596	13,310
Thailand	1,148,418	4,171,935	546,322	766,570
Turkey (AD)	10,275	48	5,021	1,942
Turkey (CVD)	831,963	110,801	15,184	221,469
Total	4,979,091	6,608,454	1,452,889	8,466,560
By recipient firms:				
Allied/Century	1,081,374	1,111,522	647,124	1,202,076
Bull Moose	(2)	214,547	117,488	198,288
California	(2)	(2)	(2)	325,743
Hannibal/Kaiser	113,177	165,819	54,732	50,543
Laclede	1,168,328	1,137,665	(2)	(2)
Leavitt/UNR	82,083	114,602	36,615	32,587
LTV/Copperweld	330,964	250,422	(2)	(2)
Maurichi American	33,650	36,175	20,912	39,271
Maverick	177	267,552	103,228	3,470,038
Northwest/Southwest	24,337	36,987	(2)	14,435
PTC Alliance/Pittsburgh Tube	(2)	837,802	(2)	257,790
Sharon Tube	549,343	558,247	327,611	642,959
U.S. Steel	(2)	(2)	69,132	164,805
Vest	(2)	188,847	(2)	56,638
Western	119,811	132,000	76,047	137,563
Wheatland	1,475,846	1,556,270	(2)	1,873,824
Total	4,979,091	6,608,457	1,452,889	8,466,560
			Amount claimed[3] (*$1,000*)	
U.S. producers' claims	9,009,023	15,216,976	6,689,664	19,227,281

[1] As presented in Section I of Customs' CDSOA *Annual Reports*.
[2] None reported.
[3] Qualifying expenditures incurred by domestic producers since the issuance of an order, as presented in Section I of Customs' CDSOA *Annual Reports.*

Source: U.S. Customs and Border Protection's CDSOA *Annual Reports*. Retrieved at www.cbp.gov/xp/cgov/import/add_cvd/.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 421(c) of the Act (19 U.S.C. § 2451(c)) states that:

> *market disruption exists whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.*

Further, as defined in section 421(d) (19 U.S.C. § 2451(d)), the Commission is instructed to consider the following objective factors in determining whether market disruption exists:

> *(1) the volume of imports of the product which is the subject of the investigation;*
> *(2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and*
> *(3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.*

Information on the subject articles, the like or directly competitive domestic articles, and the U.S. market for such articles is presented in *Part I*. Data pertaining to the volume of U.S. imports and the question of rapidly increasing imports is presented in *Part II*. Information relating to the questions of material injury, including U.S. industry data on capacity, production, shipments, inventories, employment, and financial condition, is presented in *Part III*. Available information relating to the question of the threat of material injury, including data on capacity, production, shipments, and inventories of manufacturers in China, is presented in *Part IV*. The question of the causal relationship between the alleged injury and imports, with information on U.S. market penetration of imports, imports relative to production, and pricing, is presented in *Part V*. Additional information regarding efforts by U.S. producers to compete is presented in *Part VI*.

SUMMARY DATA

A summary of data collected in the investigation for circular welded non-alloy steel pipe is presented in appendix C, table C-1. U.S. industry data are based on the questionnaire responses of 18 firms that accounted for the vast majority of U.S. production of circular welded non-alloy steel pipe during the period of investigation (i.e., 2000-04, January-June 2004, and January-June 2005). U.S. imports are compiled from official Commerce statistics adjusted to exclude mechanical tubing.

THE SUBJECT PRODUCT

As described in the Commission's notice of institution, the imported products subject to this investigation include:

certain welded carbon quality[10] steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.

All pipe meeting the physical description set forth above that is used in, or intended for use in, standard and structural pipe applications is covered by the scope of this investigation. Standard pipe 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 sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, such as conduit shells. Structural pipe is used in construction applications.

The imported products are currently provided for in the Harmonized Tariff Schedule of the United States (HTS) subheadings 7306.30.10 and 7306.30.50. Specifically, the various HTS statistical reporting numbers under which the subject standard pipe has been provided for since January 1, 1992, are as follows: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTS category is provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Pipe multiple-stenciled to the ASTM A-53 specification and to any other specification, such as the API-5L or 5L X-42 specifications, or single-certified pipe that enters under HTS subheading 7306.10.10, is covered by this investigation when used in, or intended for use in, one of the standard pipe applications listed above, regardless of the HTS category in which it is entered. Pipe shells that enter the United States under HTS subheading 7306.30.50, including HTS statistical reporting number 7306.30.5028, are also covered by this investigation. The investigation also covers pipe used for the production of scaffolding (but does not include finished scaffolding).

Products not included in this investigation are mechanical tubing (whether or not cold-drawn) provided for in HTS subheading 7306.30.50, tube and pipe hollows for redrawing provided for in HTS 7306.30.5035, or finished electrical conduit provided for in HTS 7306.30.5028. API line pipe used in oil or gas applications requiring API certifications is also not included in this investigation. Similarly, pipe produced to the API specifications for oil country tubular goods use are not included in this investigation.

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[10] "Carbon quality" is a term not used or defined in the HTS but defined by petitioners as follows: products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, of 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 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium. The description of carbon quality is intended to identify typical products within the scope. Products should not be excluded from the scope simply because they do not strictly conform to the description of carbon quality. E-mail from Roger Schagrin, counsel to petitioners, August 24, 2005.

THE LIKE OR DIRECTLY COMPETITIVE DOMESTIC ARTICLE

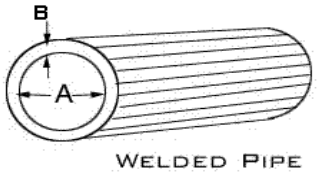
In making determinations of what constitutes the domestic product like or directly competitive with the imports subject to investigation, the Commission considers such factors as (1) the physical properties of the article, (2) its customs treatment, (3) its manufacturing process (i.e., where and how it is made), (4) its uses, and (5) the marketing channels through which the product is sold.[11] Information regarding these factors is presented below.

Physical Properties and Uses[12]

Pipes and tubes[13] in general are produced in various grades of carbon steel, alloy steel, and stainless steel and are distinguished by end uses as defined by the American Iron and Steel Institute ("AISI"), namely, standard pipe, line pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods ("OCTG").

Standard pipe of carbon quality steel is the primary product within the scope of this investigation (*see* figure I-1). Standard pipe is intended for the low-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 pipe may carry liquids at elevated temperatures but may not be subject to the application of external heat. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing; for protection of electrical wiring, such as conduit shells; and for structural applications in general construction. It is made primarily to American Society for Testing and Materials ("ASTM") A-53, A-135, and A-795 specifications, but can also be made to the British Standard ("BS")-1387 specification. Some imports of standard pipe may also be produced to the ASTM A-120 standard, which was discontinued in 1988, but nearly identical to the A-53 specification.[14]

Figure I-1
Welded pipe showing inside diameter "A" and wall thickness "B"



Source: ASA Alloys, Inc., retreived at http://www.asaalloys.com/diagrams.html.

[11] *Uncovered Innerspring Units from China*, Inv. No. TA-421-5, USITC Pub. 3676 (March 2004) at 7.

[12] Information in this section is drawn to a large degree from previous investigations on circular welded non-alloy steel pipe from China. In particular, *see Circular Welded Non-Alloy Steel Pipe From China (Final)*, Inv. No. 731-TA-943 (USITC Pub. 3523 (July 2002), pp. I-4 through I-6.

[13] Pipe dimensions (e.g., outside diameter ("OD") and wall thickness) are standardized while tube dimensions are design-specific. The HTS generally makes no distinction between pipes and tubes.

[14] Petition, p. 3.

Other uses of standard pipe include light load-bearing and mechanical applications, such as conduit shells, and for structural applications in general construction. Circular pipe used for above-ground structural purposes, including fence posts, irrigation systems, and sprinkler systems, is also included in this category. These products are manufactured primarily to standard ASTM and American Society of Mechanical Engineers ("ASME") specifications. Included within the scope of this investigation is standard pipe produced to ASTM A-500,[15] which is cold-formed welded and seamless carbon steel structural tubing and shapes used for the construction of bridges and buildings, as well as for general structural purposes.[16]

Standard pipe used in light load-bearing, mechanical, and structural applications may be galvanized (zinc-coated by dipping in molten zinc), lacquered (black finish), or painted (black) to provide corrosion resistance, which is important for storage in humid conditions or for ocean transport. End finishes include plain end, which may be either cut, or beveled suitable for welding, or include threaded ends, or threaded or coupled, as well as other special end finishes. Pipe with threaded ends is usually provided "threaded and coupled," meaning that a coupling is attached to one end of each length of pipe.

Structural pipe is defined by AISI as welded or seamless pipe generally used for structural or load-bearing purposes above ground by the construction industry, as well as for structural members in ships, trailers, farm equipment, and other similar uses. It is produced in nominal wall thicknesses and sizes to ASTM specifications.[17] Structural pipe is intended for use in the construction of bridges, buildings, steel scaffolding, and general structural work. The scope of this investigation includes structural pipe used as fence tubing and produced to ASTM F-1083, which covers hot-dipped galvanized welded steel pipe used for fence structures.[18]

Piling pipe (pipe piles) is included within the scope of this investigation. Piling pipe is produced to the ASTM A-252 specification and consists of welded or seamless pipe[19] intended for use as foundation piles where the pipe cylinder acts as a permanent load-carrying member, usually filled with concrete to form cast-in-place concrete piles.[20] While construction pipe is used above ground, piling pipe is used below ground in foundation work for buildings, piers, docks, highways, and bridges.

Estimates of end-use applications for standard pipe include: sprinkler 25 percent; fence 20 percent; plumbing, HVAC, and building mechanical systems 50 percent; construction structural applications 3 percent; and conduit shells 2 percent.[21]

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[15] Ibid.

[16] ASTM, *Annual Book of ASTM Standards – 2000*, Vol. 01.01, p. 351.

[17] It is produced in round, square, rectangular, or other cross-sectional shapes. The scope of this investigation includes only circular-cross shapes.

[18] Petition, p. 5. Fence tubing made to ASTM F-1083 specification ranges from NPS 1 to NPS 8, inclusive, with nominal wall thicknesses ranging from 0.133 inches to 0.500 inches. Fence tubing made to ASTM F-1083 is coated with zinc inside and outside by the hot-dip process. Pipe made to ASTM A-53-F used in fence applications may also be galvanized both inside and outside with a coating of zinc. While ASTM F-1083 and ASTM A-53 exhibit similar specifications, end uses for each specification differ (ASTM F-1083 for use in structural support for fencing; ASTM A-53 for use in fluid systems and pressure applications), as do testing requirements (ASTM F-1083 requires no hydrostatic testing, while ASTM A-53 requires hydrostatic testing). *See* Wheatland Tube Company, "F1083 vs. A53-F Fence Specifications," retrieved at http://wheatland.com/marketing/fence/F1083.asp.

[19] Seamless pipe is not within the scope of this investigation.

[20] Common sizes include outside pipe diameters from 6 inches to 24 inches, with nominal wall thicknesses ranging from 0.134 inches to .500 inches.

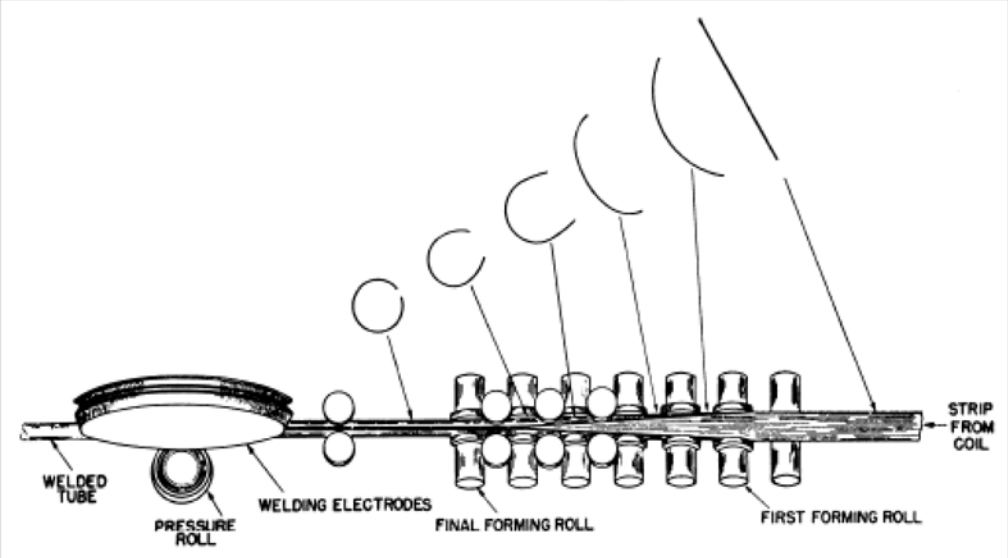
[21] Petitioners' posthearing brief, p. A-42

Manufacturing Process

Circular welded carbon steel pipe of the sizes subject to this investigation is manufactured by either the electric resistance-welding ("ERW") process or the continuous-welding ("CW") process.[22]

The ERW process is a cold-forming process. The starting material is steel sheet which has been slit to the appropriate width that will equal the diameter of the pipe to be welded. The slit sheet is formed into a tubular shape by passing it through a series of rollers, which provide the initial shaping into round form, as well as guidance into the welding section (figure I-2).

Figure I-2
Operations to make ERW tubes from steel strip



Source: AISI, *Steel Products Manual – Steel Specialty Tubular Products*, p. 20.

[22] Petitioners include the *stretch reduction process* as a production method for standard pipe. By this method, a stretch reduction mill heats and stretches larger "mother" tubes manufactured by a CW process to produce tubes and pipes of reduced outside diameters and wall thicknesses. A mother tube can be stretched into many smaller sizes. This hot-rolled process is more applicable to the CW process and should be regarded as part of the CW process rather than as a separate and independent production process from the CW process. Petition, p. 5. For more information on the stretch reduction process, *see* United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), pp. 1028 and 1046. *Piling pipe* made to ASTM A-252 specification may be produced by the seamless, electric resistance welded, flash welded, or fusion welded process. For piling pipe made by the fusion welded process, the edges of the pipe are beveled and butted to form a "V," into which the electrode is melted. This method is more suitable for the production of large-diameter pipe. *See* United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), pp. 1018-1019; and ASTM, *Annual Book of ASTM Standards – 2000*, Vol. 01.01, p. 150. The welded seam of piling pipe can be longitudinal or helical. ASTM, *Annual Book of ASTM Standards – 2000,* Vol. 01.01, p. 150.

After the slit sheet has been formed to a tubular shape, the edges are heated by electrical resistance[23] and welded by a combination of heat and pressure. The welding pressure causes some of the metal to be squeezed from the joint, forming a bead of metal on both the inside and outside of the tube.

While still in the continuous processing line, the tube is then subjected to post-weld heat treatment, as required. This may involve heat treatment of the welded seam only, or treatment of the entire pipe. After heat treatment, sizing rolls shape the tube to the accurate diameter. The product is cooled and then cut at the end of the tube mill by a flying shear or saw, synchronized with the tube's movement so that it is not necessary to stop the process.[24] The ERW process can be used to cover the full OD range of standard pipe products covered by the petition.

In the CW process, the entire slit sheet is heated to approximately 2,450 degrees Fahrenheit in a gas-fired, continuous furnace. As the slit sheet leaves the furnace, a blower is normally furnished to provide a blast of air to raise the temperature of the edges to approximately 2,600 degrees Fahrenheit for welding. The sheet is formed into tubular shape by a series of rollers, and the edges are butted together under pressure to form the weld. While still hot, the product may be processed through a stretch reduction mill, which simultaneously reduces the diameter and wall thickness of the pipe. The continuous tube is then cut into predetermined lengths by a flying saw or shear. This CW method can be used to produce pipe up to 4.5 inches in OD.

Finishing operations on standard pipe and tube may include hydrostatic testing, oiling,[25] and galvanizing. The process of galvanizing involves the application of a zinc coating to steel pipe for protection from atmospheric corrosion. In a hot-dip process of galvanizing, cut lengths of steel pipe are dipped in a bath of molten zinc maintained at a temperature of 820 degrees to 860 degrees Fahrenheit.[26] The combination of the temperature of both the zinc and the steel, as well as the immersion time within the zinc bath, determine the thickness of the coating.[27] The zinc coating may be applied to the outside only, or both the inside and outside of the steel pipe, depending on end-use application and industry specification (e.g., ASTM). In a continuous galvanizing process, the zinc coating may be applied to the outside of the pipe before the steel pipe is cut to length by passing it through a bath of molten zinc.

End finishing may include square cutting, beveling, threading, or grooving. Threaded pipe may be furnished "threaded or coupled," in which case both ends of each length of pipe are threaded and a threaded coupling is applied to one end.

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[23] The heat for welding is generated by the resistance of the steel to the flow of an electric current. In one process, a low frequency (typically 60 to 360 hertz) is conducted to the strip edges by a pair of copper alloy discs that rotate as the pipe is propelled under them. A second variation uses high frequency current (typically 400 to 500 kilohertz), which enters the tubing through shoes that act as sliding contacts. An induction coil can also be used with this high frequency current to induce current in the edges of the steel to be welded together. No direct contact is made between the induction coil and the tubing. *See* AISI, *Steel Products Manual – Steel Specialty Tubular Products*, October, 1980, pp. 19-20; and United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), pp. 1030-1031.

[24] United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1029.

[25] The oil is a hardening transparent oil that leaves a lacquer finish. United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1062.

[26] United States Steel, *The Making, Shaping and Treating of Steel*, 10th Ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1065.

[27] *See* International Zinc Association, retrieved at http://www.iza.com.

Product Types

Tables I-2 and I-3 present data compiled from responses to the Commission's questionnaires regarding product stenciling and finish (black and corrosion-resistant) for U.S.-produced products and imports of products from China. Circular welded non-alloy steel pipe stenciled to meet ASTM and API specifications (dual-stenciled) accounted for *** percent of U.S. producers' U.S. shipments during the period of investigation,[28] and there were no reported U.S. imports of dual-stenciled subject product from China.[29] During the period, the majority of U.S. producers' U.S. shipments were black pipe and the majority of U.S. shipments of imports from China were corrosion-resistant pipe.

Respondent CCCMC argued that there are distinct grades of standard pipe in the U.S. market, particularly, ASTM A-53 Grade A and Grade B. CCCMC contended that (1) a significant quantity of subject imports from China are lower quality Grade A product while most U.S. producers shipments are Grade B; (2) there is limited substitution between the two grades; (3) and there is distinction in pricing between the two grades.[30] Petitioners contended that (1) the differences between the two grades are PSI and tensile strength with all other physical differences identical; (2) end uses of the two products are similar in fence and sprinkler applications, and are interchangeable for a significant share of plumbing, HVAC, and mechanical applications; and (3) there is no difference in selling price between the two products.[31] Available information regarding categories of products by certifications and gradesis presented in appendix D.

[28] Reportedly, dual-stenciling adds $*** to the per ton price of single-stenciled product. E-mail from ***, August 30, 2005.

[29] The respondent China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters ("CCCMC") argued that "Chinese producers can and do produce and export dual-stenciled product." CCCMC's prehearing brief, p. 78 and exh. 14.

[30] CCCMC's prehearing brief, pp. 25-26; and posthearing brief, exh 1, questions from staff.

[31] Petitioners' posthearing brief, exh. 1, A-41-A-43.

Table I-2

Circular welded non-alloy steel pipe: U.S. producers' U.S. shipments and U.S. imports from China, shares by stenciling, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
	Share of quantity (*percent*)						
U.S. producers' U.S. shipments:							
Stenciled to meet *ONLY* ASTM specifications	77.1	78.3	75.5	75.1	79.2	78.9	79.6
Stenciled to meet ASTM AND API specifications	***	***	***	***	***	***	***
Stenciled to proprietary specifications (e.g., certain fence tubing)	***	***	***	***	***	***	***
Not stenciled to any specification	15.4	14.3	17.1	16.7	12.7	13.2	12.5
Other[1]	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
U.S. shipments of imports from China:							
Stenciled to meet *ONLY* ASTM specifications	86.3	86.1	51.5	80.7	90.7	89.6	88.9
Stenciled to meet ASTM AND API specifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stenciled to proprietary specifications (e.g., certain fence tubing)	9.0	10.8	20.3	9.2	4.8	3.7	2.5
Not stenciled to any specification	***	***	***	***	***	***	***
Other[1]	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes conduit shells; galvanized tube for electrical; and BS1387.

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

Table I-3
Circular welded non-alloy steel pipe: U.S. producers' U.S. shipments and U.S. imports from China, by types, 2000-04, January-June 2004, and January-June 2005

***Quantity* in short tons, *value* in $1,000**

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
U.S. producers' U.S. shipments:							
Black pipe--							
Quantity	899,475	856,863	868,594	837,456	936,805	548,604	398,482
Value	520,469	443,459	438,096	457,933	719,818	368,471	397,409
Unit value (*per ton*)	$579	$518	$504	$547	$768	$672	$997
Share of U.S. shipments (*percent* of quantity)	69.4	70.8	66.3	66.5	69.7	70.0	70.6
Corrosion-resistant pipe--							
Quantity	397,227	352,621	441,492	422,009	406,305	235,647	165,846
Value	281,898	237,127	304,336	304,574	389,256	204,153	190,689
Unit value (*per ton*)	$710	$672	$689	$722	$958	$866	$1,150
Share of U.S. shipments (*percent* of quantity)	30.6	29.2	33.7	33.5	30.3	30.0	29.4
U.S. shipments of imports from China:							
Black pipe--							
Quantity	50,522	52,402	4,284	26,748	92,275	38,140	84,315
Value	17,201	15,967	3,219	12,801	52,191	19,357	53,711
Unit value (*per ton*)	$340	$305	$751	$479	$566	$508	$637
Share of U.S. shipments (*percent* of quantity)	45.7	49.8	27.3	35.8	47.4	43.2	62.0
Corrosion-resistant pipe--							
Quantity	60,016	52,726	10,733	47,564	100,934	49,577	50,683
Value	29,043	25,235	7,366	25,865	67,962	31,092	35,645
Unit value (*per ton*)	$484	$479	$686	$544	$673	$627	$703
Share of U.S. shipments (*percent* of quantity)	54.3	50.2	68.3	63.7	51.9	56.1	37.3

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

Marketing Channels

Circular welded non-alloy steel pipe is primarily sold to warehousing distributors who, in turn, sell to consuming contractors or end users. Table I-4 presents data regarding channels of distribution.

Table I-4
Circular welded non-alloy steel pipe: U.S. producers' and U.S. importers' U.S. shipments, by channels of distribution, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Quantity (*short tons*)							
U.S. producers' U.S. shipments to:							
Distributors	880,582	829,581	836,622	817,868	907,886	544,447	374,053
End users	479,001	420,885	365,540	383,080	372,358	204,263	167,174
Total	1,359,583	1,250,466	1,202,162	1,200,948	1,280,244	748,710	541,227
U.S. importers' U.S. shipments of imports from China to:							
Distributors	98,639	100,812	14,477	62,799	166,700	77,026	119,802
End users	3,876	566	1,023	1,750	6,714	3,266	4,652
Total	102,515	101,378	15,500	64,549	173,414	80,292	124,455
Shares of U.S. shipments (*percent*)							
U.S. producers' U.S. shipments to:							
Distributors	64.8	66.3	69.6	68.1	70.9	72.7	69.1
End users	35.2	33.7	30.4	31.9	29.1	27.3	30.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments of imports from China to:							
Distributors	96.2	99.4	93.4	97.3	96.1	95.9	96.3
End users	3.8	0.6	6.6	2.7	3.9	4.1	3.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Customs Treatment

Circular welded non-alloy steel pipe are properly provided for in HTS statistical reporting numbers 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. A column 1-general duty rate of “free is applicable to imports of circular welded non-alloy steel pipe from China. Table I-5 presents current tariff nomenclature and rates for the subject products.

Table I-5
Circular welded non-alloy steel pipe: Tariff rates, 2005

HTS provision	Article description[1]	General[2]	Special	Column 2[3]
		Rates *(percent ad valorem)*		
7306	Other tubes, pipes and hollow profiles (for example, open seamed or welded, riveted or similarly closed), of iron or steel:			
7606.30	Other, welded, of circular cross section, of iron or non-alloy steel:			
7306.30.10 00	Having a wall thickness of less than 1.65 mm	Free		25.0
7306.30.50	Other	Free		5.5
25	Galvanized:			
	Imported with coupling			
32	Other			
40	Other, imported with coupling			
55	Other			
85	With an outside diameter exceeding 114.3 mm but not exceeding 406.4 mm:			
90	Galvanized			
	Other			

[1] An abridged description is provided for convenience; however, an unabridged description may be obtained from the respective headings, subheadings, and legal notes of the HTS.
[2] Normal trade relations, or most-favored-nation duty rate, applicable to imports from China.
[3] Applies to products of a small number of countries that do not enjoy normal trade relations duty status.

Source: Harmonized Tariff Schedule of the United States (2005).

THE U.S. MARKET

U.S. Producers

Table I-6 presents U.S. producers' plant locations, positions on the petition, U.S. production, and shares of total reported U.S. production in 2004.[32] Company profiles are presented below. Laclede ceased steel operations in 2001.

Producers were asked whether they experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, prolonged shutdowns, curtailments of production, or any other changes in the character of their operations or organization relating to the production of circular welded non-alloy steel pipe during the period of investigation. Two questionnaire respondents reported acquisitions, four respondents reported the expansions of existing facilities or the installation of a new mill, two respondents reported layoffs, and two producers reported mill closures (*see* Recent Mergers and Acquisitions section below).

[32] Four additional firms were identified as U.S. producers receiving CDSOA disbursements under the current outstanding duty orders on the subject products: Kaiser/Hannibal Industries, Inc., LTV/Copperweld, PTC Alliance/Pittsburgh Tube, and Vest, Inc. *See* table I-3. Subject product operations of LTV/Copperweld are included in the questionnaire response of Maverick Tube. Telephone interview with Roger Schagrin, counsel to petitioners, September 6, 2005. ***.

Table I-6
Circular welded non-alloy steel pipe: U.S. producers, their positions on the petition, plant locations, U.S. production, and shares of U.S. production, 2004

Firm	Position on the petition	Plant location(s)	Subject product share of total establishment sales (*percent*)	Production (*short tons*)	Share of reported U.S. production (*percent*)
Petitioners:					
Allied Tube and Conduit Corp.[1]	Support	Harvey, IL Philadelphia, PA Phoenix, AZ	***	***	***
IPSCO Tubulars, Inc.[2]	Support	Camanche, IA Blytheville, AR	***	***	***
Maruichi American Corp.[3]	Support	Santa Fe Springs, CA	***	***	***
Maverick Tube Corp.[4]	Support	Blytheville, AR Counce, TN Conroe, TX	***	***	***
Sharon Tube Co.	Support	Sharon, PA	***	***	***
Western Tube & Conduit Corp.[5]	Support	Long Beach, CA	***	***	***
Wheatland Tube Co.[6]	Support	Sharon, PA Warren, OH Chicago, IL Little Rock, AR	***	***	***
Subtotal				1,033,431	72.9
Non-petitioners:					
American Steel Pipe	***	Birmingham, AL	***	***	***
Bull Moose Tube Co.[7]	***	Chesterfield, MO	***	***	***
California Steel Industries, Inc.[8]	***	Fontana, CA	***	***	***
Leavitt Tube Co.	***	Chicago, IL	***	***	***
Lone Star Steel	***	Dallas, TX	***	***	***
Northwest Pipe Co.	***	Portland, OR Atchison, KS Bossier City, LA	***	***	***
Stupp Corp.[9]	***	Baton Rouge, LA	***	***	***
Tex-Tube[10]	***	Houston, TX	***	***	***
U.S. Steel	***	Pittsburgh, PA	***	***	***
Subtotal				383,697	27.1
Total				1,417,128	100.0

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Footnotes to table on previous page.

[1] ***.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.
[8] ***.
[9] ***.
[10] ***.

Note: Laclede Steel Corp. and Newport Steel Corp. ceased production in 2001.

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

Petitioners

Allied Tube & Conduit ("Allied"), headquartered in Harvey, IL, is a business unit of Tyco Electrical & Metal Products, a subsidiary of Tyco International. Allied produces mechanical tubing, fire sprinkler pipe, fencing pipe, and electrical conduit to ASTM A-135, A-795, and F-1043 specifications with nominal OD ranging from 1 inch to 8 inches. Allied produces 400,000 tons of galvanized steel tubing per year.[33]

Ipsco Tubulars Inc. ("Ipsco"), headquartered in Chicago, IL, is a wholly owned subsidiary of Ipsco, Inc., Canada. Founded in 1956 under the name of Prairie Pipe Manufacturing Co., Ipsco now operates steel mills in three locations and pipe mills in six locations throughout the United States and Canada. Ipsco produces standard ERW pipe to ASTM A-53B specifications, with an OD ranging from 1.9 inches to 8.625 inches. In 1999, Ipsco commissioned its tubular mills located at Blytheville, AR. The ERW pipe mill, which produces line pipe, tubing, casing, and standard pipe, has an annual capacity of 300,000 short tons.[34] In 2005, Ipsco began a $7.25 million expansion at the Blytheville mill to include high-speed finishing lines for OCTG products.[35] Combined annual capacity of all tubular facilities (including the production of line pipe, well casing and tubing, standard pipe, and hollow structural shapes) is 1,725,000 short tons.[36]

Maruichi American Corp. ("Maruichi") is majority owned by Maruichi Kokan Group (Osaka, Japan) and Metal One (Tokyo, Japan). Maruichi produces ERW black steel pipe to ASTM A-53 specifications in OD ranging from 0.840 inch to 6.625 inches. Pipe lengths range from 21 feet to 40 feet 2 inches.[37]

Maverick Tube ("Maverick") was established in 1978 as a mechanical tubing mill in Union, MO, and now produces energy products, including line pipe and OCTG, as well as industrial tube products, which include standard pipe, piling pipe, mechanical tubing, and steel electrical conduit. Maverick produces subject pipe in OD ranging from 2.375 inches to 16 inches in lengths from 21 feet to 70 feet. In 2001, Maverick closed its drawn-over-mandrel (DOM) mill located in Beaver Falls, PA, due to ***. The facility was later sold to another operator. In February 2003, Maverick announced the closure of its Youngstown, OH, 16-inch ERW mill in order to consolidate operations at its more efficient 16-inch ERW

[33] *See* Allied Tube & Conduit, retrieved at www.alliedtube.com.

[34] *See* Ipsco, retrieved at www.ipsco.com

[35] "Ipsco begins $7.25M expansion for OCTG at Blythevill pipe mill," *American Metal Market*, Mar. 24, 2005, retrieved at www.amm.com.

[36] *See* Ipsco, retrieved at www.ipsco.com.

[37] *See* Maruichi American Corp., *ASTM A-53*, retrieved at www.macsfs.com/pdf/astma53grabp1718.pdf.

mill in Hickman, AR. In July 2005, Maverick sold certain assets of its HSS product line to Atlas Tube, Inc., of Harrow, Ontario.[38]

Sharon Tube ("Sharon"), based out of Sharon, PA, has produced steel pipe and mechanical tube since 1929. Sharon produces ASTM A-53 welded pipe in OD ranging from .405 to 1.315 inches in lengths ranging from 10 to 21 feet. ***. In July 2005, Sharon began construction on a 22,000 square foot expansion at its cold-drawn facility in Wheatland, PA, which produces ASTM A-53 DOM mechanical tubing.[39]

Western Tube & Conduit Corp. ("Western Tube"), based in Long Beach, CA, is majority owned by Sumitomo Metal USA Corp. Western Tube produces electrical conduit, fence tubing, and mechanical tubing with OD ranging from 1.315 inches to 4 inches, and pipe lengths ranging from 10.5 to 24 feet. In 2002, Western Tube installed a new galvanized mill capable of producing galvanized fence pipe and tube, as well as electrical metal tubing conduit and galvanized mechanical tube. ***.[40]

Wheatland Tube ("Wheatland"), based out of Wheatland, PA, is owned by John Maneely Co., which was established in 1877. Wheatland produces standard pipe, mechanical tube, fence framework, sprinkler pipe, and electrical conduit and fittings at its plant locations in Sharon, PA; Warren, OH; Chicago, IL; and Little Rock, AR. ***.[41]

Non-Petitioning Firms

American Steel Pipe ("American Steel"), located in Birmingham, AL, is a division of the American Cast Iron Pipe Company, which was established in 1905. American produces standard pipe, line pipe, slurry pipe, sour service pipe, pipe piling, and structural tubing to ASTM A-53B, A-252, and A-500 specifications, with OD ranging from 10.75 inches to 20 inches and pipe lengths ranging from 25 to 100 feet. ***.[42]

Bull Moose Tube, established in 1962, is headquartered in Chesterfield, MO. Bull Moose operates six plants equipped with 18 mills located in Burlington, Ontario; Chicago Heights, IL; Elkhart, IN; Gerald, MO; Masury, OH; and Trenton, GA. In mid-2004, Bull Moose Tube re-opened a small-diameter tube mill at its Chicago Heights facility. In 2005, Bull Mouse commenced production at a new facility in Casa Grande, AZ, to manufacture mechanical tube and pipe. Through June 2005, less than *** of mechanical tube and pipe have been produced. Bull Moose produces subject product with an OD range of .625 to 4.5 inches made to ASTM A-513, A-135, A-795, and A-53 specifications.

California Steel Industries, Inc. ("California Steel"), located in Fontana, CA, is owned by JFE New York, a subsidiary of Japan's JFE Holdings, and Brazilian iron ore miner Rio Doce Ltd, NY. California Steel produces subject pipe in OD ranging from 4 to 16 inches to ASTM A-53B, and API-5L through API X-70 specifications. Pipe lengths range from 20 to 61 feet.

Leavitt Tube Company ("Leavitt") is headquartered in Chicago, IL, and has two manufacturing facilities housing six mechanical mills and three structural mills located in Chicago. Leavitt Tube's Madison, MS, production facility houses three mechanical mills and one structural mill. Leavitt Tube produces subject pipe and tube in .405 to 8.65 inch OD to ASTM A-500 Grade A, B, and C; and A-53 specifications.

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[38] "Maverick Tube wraps sale to Atlas of HSS line, eyes layoff down road," *American Metal Market*, July 1, 2005, retrieved at www.amm.com.

[39] "Sharon kicks off Wheatland plant expansion," *American Metal Market*, July 6, 2005, retrieved at www.amm.com.

[40] Western Tube producer questionnaire response, section II-2.

[41] Wheatland producer questionnaire response, section V-2.

[42] American Steel Pipe producer questionnaire response, section II-3.

Lone Star Steel ("Lone Star"), headquartered in Dallas, TX, began manufacturing OCTG and line pipe in 1953, and has expanded its product line to include other tubular products. Lone Star produces subject pipe made to ASTM A-53B, A-513, A-500, and A252 specifications, with sizes ranging from 1 to 16 inches, and lengths ranging from 38 to 42 feet. ***.[43]

Newport Steel ("Newport"), established in 1980 and headquartered in Newport, KY, produces OCTG, line pipe, standard pipe, and pipe piles. Newport produced subject pipe with OD ranging from 4.5 to 16 inches, and lengths ranging from 38 to 45 feet. ***.[44] In 2000, Newport closed its 8-inch OD pipe mill, citing ***.[45]

Northwest Pipe Company ("Northwest"), established in 1966 and headquartered in Portland, OR, produces subject pipe at its manufacturing facilities in Atchison, KS, and Bossier City, LA. Northwest Pipe produces subject pipe in 1.315 to 16 inches OD, and meets ASTM A-139, A-500, A-53, and A-252 grades A and B specifications. In May 2004, Northwest Tube shifted production of certain standard pipe sizes from its Portland facility to its Atchison facility. In September 2004, Northwest Tube shifted production of galvanized fence pipe from its Bossier City facility to its Houston facility. ***.[46]

Stupp Corporation ("Stupp"), based in Baton Rouge, LA, is a producer of API line pipe. Stupp manufacturers line pipe with OD ranging from 10.75 to 24 inches. Pipe lengths range from 40 to 80 feet.

Tex Tube, based in Houston, TX, produces API line pipe, ASTM A-53 standard pipe, and other structural tubular products. Tex Tube produces subject pipe ranging from 2 to 8 inches OD made to ASTM A-53B and A-795 (elliptical tubing) specifications.

United States Steel Corporation ("U.S. Steel"), founded in 1901, is an integrated steel producer with headquarters in Pittsburgh, PA. U.S. Steel produces subject pipe in 8.625 to 20 inch OD made to ASTM A-53 Grade B and A-252 Grade 2 specifications at its McKeesport, PA, facility. Pipe lengths range from 18 to 80 feet. ***.[47]

Recent Mergers and Acquisitions

Between 2000 and 2005, Maverick has led the way in pursuing growth through strategic mergers and acquisitions. Apart from Maverick's activities, recent mergers and acquisitions have been less frequent among producers of the subject pipe.

In 2000, Maverick merged with Prudential Steel Ltd. of Calgary, Canada. Prudential's 100,000 ton mill located in Longview, WA, was transferred to Maverick in May 2001, and subsequently closed and relocated to Hickman, AR. In 2002, Maverick acquired coiled steel welded tube and line pipe producer Precision Tube Technology of Houston, TX. In December 2002, Maverick acquired certain tubular assets of LTV Steel Corp. The acquisition was for five plants (Youngstown, OH; Ferndale, MI; Cedar Springs, GA; Elyria, OH; and Counce, TN) that formerly were the LTV Steel Tubular Products Division of LTV Steel prior to LTV's purchase of Copperweld Steel and Welded Tube. In January 2003, Maverick acquired SeaCat Corp. (Houston, TX), a manufacturer of deep-sea umbilical tubing. In June 2005, Maverick acquired Tubos del Caribe SA of Cartegna, Colombia, a manufacturer of OCTG and line pipe.

[43] Lone Star producer questionnaire response, section II-3.

[44] Newport Steel producer questionnaire response, section II-3.

[45] Newport Steel producer questionnaire response, section II-2.

[46] Northwest Pipe producer questionnaire response, section II-2.

[47] U.S. Steel producer questionnaire response, section II-3.

Other acquisition activities include Allied Tube's acquisition of Century Tube Corp., a U.S. subsidiary of Daiwa Steel Tube Industries (Japan) in 2001.[48] In 2002, Wheatland Tube acquired Sawhill Tubular in order to consolidate production and expand capacity. In 2003, Steel Pipe Supply Company acquired Ex-L Tube.

U.S. Importers

The petition listed eight U.S. importers of circular welded non-alloy steel pipe from China.[49] Those companies and 123 firms identified in proprietary Customs data and records in previous investigations were sent importers' questionnaires. Forty firms responded to the questionnaire, and information from the major importers regarding their U.S. imports from China and shares of total imports from China during 2004 are presented in table I-7. Seven firms accounted for approximately 73 percent of total U.S. imports of the subject product from China during 2004, and 34 additional firms accounted for approximately 5 percent of total imports from China.

Table I-7
Circular welded non-alloy steel pipe: U.S. importers of product from China, their locations, U.S. imports from China, and shares of total U.S. imports from China, by firms, 2004

Importer	Location	Imports (*short tons*)	Share of total (*percent*)
Arcelor International	New York, NY	***	***
Connectors Inc.	Hauppauge, NJ	***	***
James Steel, Inc.	Torrance, CA	***	***
MAN Ferrostaal	Houston, TX	***	***
SeAH Steel American	Santa Fe Springs, CA	***	***
State Pipe & Supply	Santa Fe Springs, CA	***	***
Western International Forest Products	Beaverton, OR	***	***
Other importers (34 firms)	Various locations	12,926	4.8
Subtotal		208,719	78.0
Non-responding firms		58,749	22.0
Total		267,468	100.0

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

U.S. Purchasers

Circular welded non-alloy steel pipe primarily is sold to warehousing distributors who, in turn sell to consuming contractors or end users. Questionnaires were sent to 53 firms identified by known importers and producers, and records in previous investigations. Approximately 20 purchasers provided useable responses to the questionnaire.

[48] "Daiwa sells Century Tube to Allied," *American Metal Market*, March 1, 2002, retrieved at www.amm.com.

[49] Petition, pp. 13-14.

Apparent U.S. Consumption

As shown in table I-8 and figure I-3, apparent U.S. consumption of circular welded non-alloy steel pipe decreased by 5.2 percent in terms of quantity during 2000-04. During 2003 to 2004, apparent consumption increased by 17.0 percent, and declined by 13.3 percent during January-June 2005 compared to the same period in 2004. See *Part V* for a discussion of producers', importers', and purchasers' comments on trends in demand during the period examined.

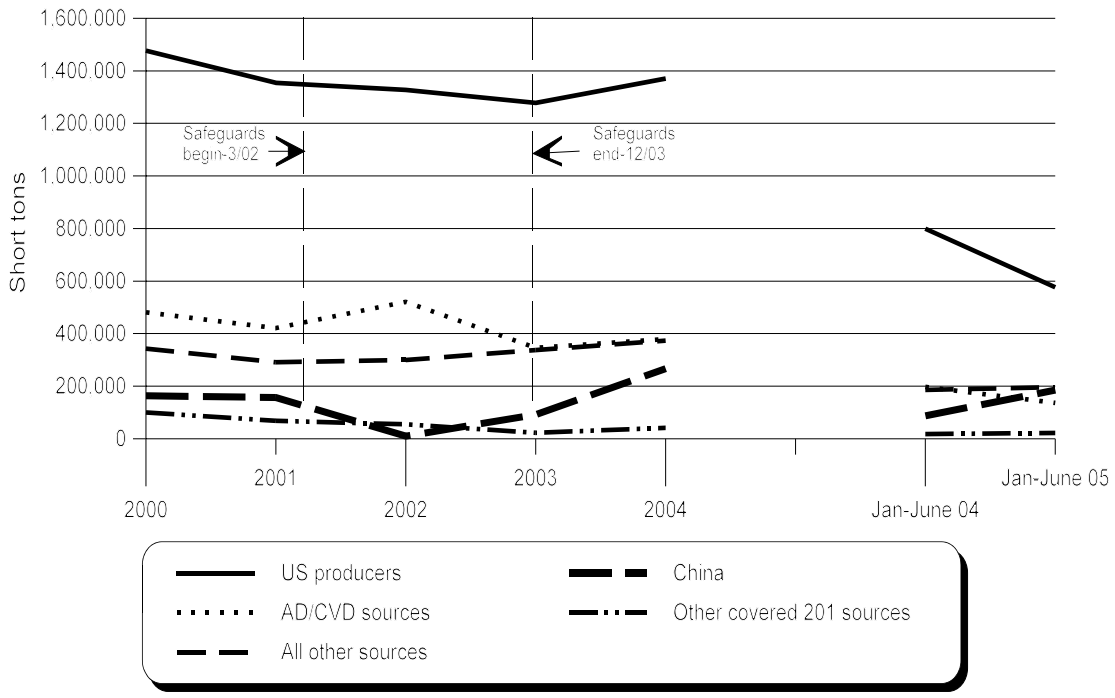
Table I-8
Circular welded non-alloy steel pipe: Apparent U.S. consumption, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
	Quantity (*short tons*)						
U.S. producers' shipments	1,477,071	1,354,581	1,327,987	1,278,309	1,370,589	798,984	576,579
U.S. imports from--							
China	163,866	157,035	10,114	92,316	267,468	87,890	185,019
Covered AD/CVD sources[1]	481,490	420,955	521,163	346,177	379,405	197,695	136,988
Covered 201 sources[2]	100,570	68,222	54,764	23,336	41,346	17,892	22,409
All other sources[2]	343,354	291,776	299,669	338,022	373,451	186,048	196,728
Subtotal nonsubject	925,415	780,953	875,595	707,535	794,202	401,635	356,125
Total U.S. imports	1,089,281	937,988	885,709	799,851	1,061,670	489,525	541,143
Apparent consumption	2,566,352	2,292,569	2,213,696	2,078,160	2,432,259	1,288,509	1,117,722
	Value (*$1,000*)						
U.S. producers' shipments	873,113	738,753	733,048	751,885	1,094,343	564,042	582,884
U.S. imports from--							
China	68,179	62,766	6,029	41,772	153,937	44,499	120,821
Covered AD/CVD sources[1]	208,439	163,112	209,121	162,699	237,670	107,744	107,509
Covered 201 sources[2]	71,559	51,428	50,332	26,299	40,902	15,586	30,807
All other sources[2]	185,090	138,063	154,201	179,942	292,569	130,971	168,737
Subtotal nonsubject	465,088	352,603	413,653	368,940	571,141	254,301	307,053
Total U.S. imports	533,267	415,369	419,683	410,712	725,078	298,800	427,874
Apparent consumption	1,406,380	1,154,122	1,152,731	1,162,597	1,819,421	862,842	1,010,758

[1] Includes Argentina, Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey.
[2] Individual sources are identified in appendix D, table D-1.
[3] Landed, duty-paid.

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

Figure I-3
Circular welded non-alloy steel pipe: Apparent U.S. consumption, 2000-04, January-June 2004, and January-June 2005



Source: Table I-8.

PART II: THE QUESTION OF RAPIDLY INCREASING U.S. IMPORTS

U.S. IMPORTS

The Commission sent importer questionnaires to 131 firms identified in proprietary Customs information, previous investigation records, and by petitioners, as importers of circular welded non-alloy steel pipe. Forty firms, accounting for more than 70 percent of total U.S. imports during 2004, supplied usable data concerning U.S. imports of the subject product. For more complete data coverage, U.S. imports of circular welded non-alloy steel pipe in this report are based on official Commerce statistics, adjusted to exclude mechanical tubing.[1] Table II-1 and figures II-1 and II-1A present data on U.S. imports of circular welded non-alloy steel pipe during 2000-04, January-June 2004, and January-June 2005. Figure II-2 depicts monthly imports of the subject product from China from January 2003-July 2005. Country-by-country imports of the subject product during the period of investigation are presented in appendix E, table E-1.

Imports of circular welded non-alloy steel pipe from China increased by 63.2 percent during 2000-04, and more than doubled during January-June 2005 when compared to the comparable period in 2004. Subject imports from China accounted for a low of 1.3 percent of total U.S. imports during 2002 and a high of 40.1 percent during January-June 2005. Major importers reported that the low level of subject imports from China during 2002 was attributable to the safeguard tariffs imposed in March 2002.[2] Major sources of imports of circular welded non-alloy steel pipe from countries other than China include Canada, India, and Turkey.

[1] Petitioners contend that nonsubject mechanical tubing is included in the HTS categories covering imports of the subject product, and that adjustments should be made to official Commerce statistics to exclude such nonsubject imports (principally from Canada). Petitioners suggested a methodology that would rely on a ratio of standard and mechanical pipe exports as reported in Statistics Canada applied to official Commerce statistics. E-mail from Roger Schagrin, counsel to petitioners, August 26, 2005. Respondent CCCMC asserted that petitioners' methodology to account for nonsubject imports from Canada is "pure guesswork" and that no adjustment should be made to official Commerce statistics. CCCMC's prehearing brief, p. 43. Adjustments to official Commerce statistics to exclude mechanical tubing were as follows: (a) subtracting exports of mechanical tubing as reported by Statistics Canada; and (b) subtracting imports of mechanical tubing for ***, as reported in response to Commission questionnaires.

[2] Importer questionnaire responses of ***, section II-6-a. *See* appendix F for additional questionnaire comments on industry developments during the period of investigation.

Table II-1
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005

Source	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Quantity (*short tons*)							
China	163,866	157,035	10,114	92,316	267,468	87,890	185,019
Covered AD/CVD sources[1]	481,490	420,955	521,163	346,177	379,405	197,695	136,988
Covered 201 sources[2]	100,570	68,222	54,764	23,336	41,346	17,892	22,409
All other sources[2]	343,354	291,776	299,669	338,022	373,451	186,048	196,728
Subtotal nonsubject	925,415	780,953	875,595	707,535	794,202	401,635	356,125
Total	1,089,281	937,988	885,709	799,851	1,061,670	489,525	541,143
Value (*1,000 dollars*)[3]							
China	68,179	62,766	6,029	41,772	153,937	44,499	120,821
Covered AD/CVD sources[1]	208,439	163,112	209,121	162,699	237,670	107,744	107,509
Covered 201 sources[2]	71,559	51,428	50,332	26,299	40,902	15,586	30,807
All other sources[2]	185,090	138,063	154,201	179,942	292,569	130,971	168,737
Subtotal nonsubject	465,088	352,603	413,653	368,940	571,141	254,301	307,053
Total	533,267	415,369	419,683	410,712	725,078	298,800	427,874
Unit value (*per short ton*)							
China	$416	$400	$596	$452	$576	$506	$653
Covered AD/CVD sources[1]	433	387	401	470	626	545	785
Covered 201 sources[2]	712	754	919	1,127	989	871	1,375
All other sources[2]	539	473	515	532	783	704	858
Subtotal nonsubject	503	452	472	521	719	633	862
Average	490	443	474	513	683	610	791

Table continued on next page.

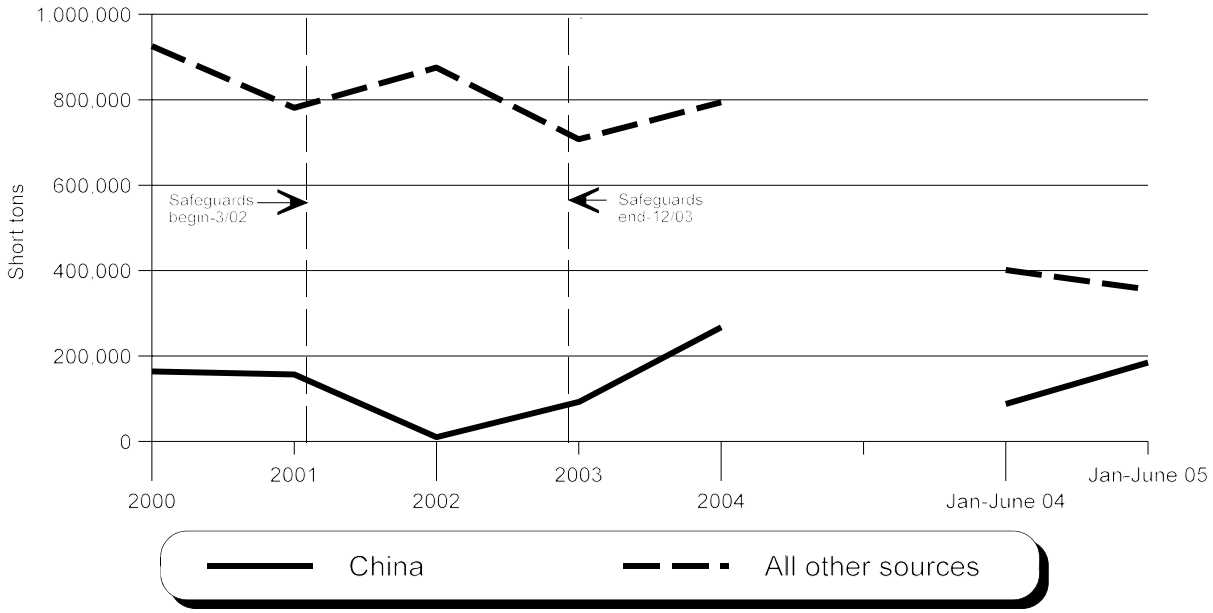
Table II-1--*Continued*
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005

Source	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Share of quantity (*percent*)							
China	15.0	16.7	1.1	11.5	25.2	18.0	34.2
Covered AD/CVD sources[1]	44.2	44.9	58.8	43.3	35.7	40.4	25.3
Covered 201 sources[2]	9.2	7.3	6.2	2.9	3.9	3.7	4.1
All other sources[2]	31.5	31.1	33.8	42.3	35.2	38.0	36.4
Subtotal nonsubject	85.0	83.3	98.9	88.5	74.8	82.0	65.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)							
China	12.8	15.1	1.4	10.2	21.2	14.9	28.2
Covered AD/CVD sources[1]	39.1	39.3	49.8	39.6	32.8	36.1	25.1
Covered 201 sources[2]	13.4	12.4	12.0	6.4	5.6	5.2	7.2
All other sources[2]	34.7	33.2	36.7	43.8	40.4	43.8	39.4
Subtotal nonsubject	87.2	84.9	98.6	89.8	78.8	85.1	71.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes Argentina, Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey.
[2] Individual sources are identified in appendix E, table E-1.
[3] Landed, duty-paid.

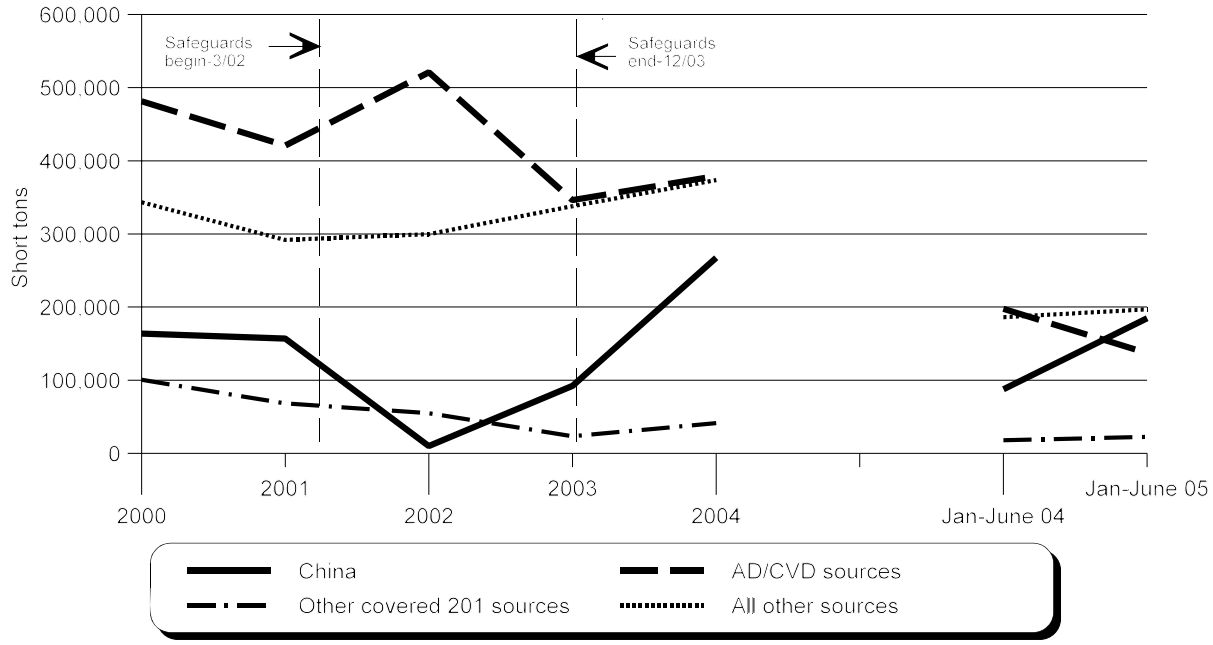
Source: Compiled from data submitted in response to Commission questionnaires, and official Commerce statistics (adjusted).

Figure II-1
Circular welded non-alloy steel pipe: U.S. imports from China and all other sources, 2000-04, January-June 2004, and January-June 2005



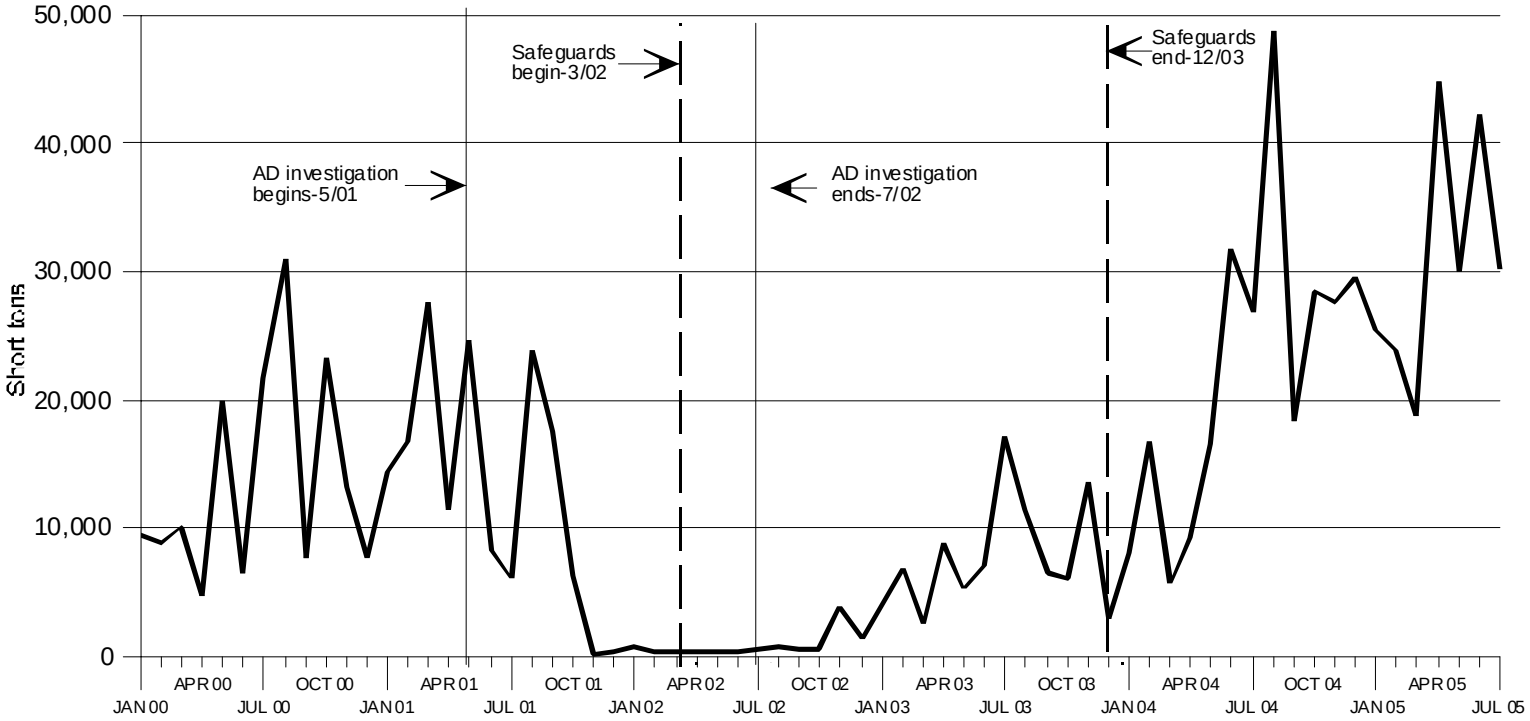
Source: Table II-1.

Figure II-1A
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005



Source: Table II-1.

Figure II-2
Circular welded non-alloy steel pipe: Monthly U.S. imports from China, January 2000-July 2005



Note 1.–The Commission's steel safeguard investigation (Inv. No. TA-201-73) was instituted on July 3, 2001.
Note 2.–Commerce's preliminary affirmative determination of sales at LTFV in the antidumping investigation was made on December 31, 2002 (67 FR 4283, January 29, 2002).

Source: Appendix E, table E

U.S. IMPORTS RELATIVE TO PRODUCTION

Table II-2 and figure II-3 present information regarding the relationship of U.S. circular welded non-alloy steel pipe imports to U.S. production. The ratio of circular welded non-alloy steel pipe imports from China to U.S. production rose from 10.8 percent in 2000 to 18.9 percent in 2004, and rose to 31.5 percent during January-June 2005 compared to 10.7 percent during the same period in 2004.

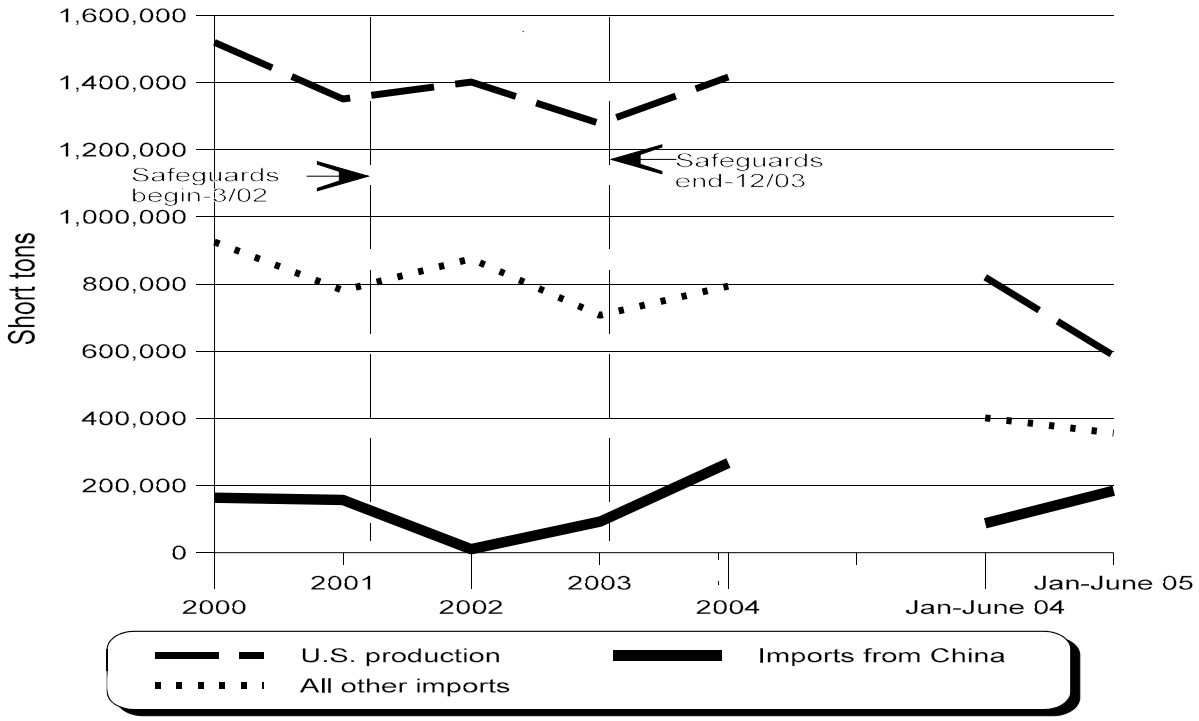
Absolute and relative levels of U.S. imports from China are graphically depicted in figures II-1 and I-1A. Additional information regarding import market shares is presented in *Part V* of this report.

Table II-2
Circular welded non-alloy steel pipe: U.S. production, U.S. imports, and the ratio of U.S. imports to U.S. production, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
U.S. production (*short tons*)	1,520,350	1,351,999	1,401,898	1,278,666	1,417,128	820,237	587,367
U.S. imports from--(*short tons*)							
China	163,866	157,035	10,114	92,316	267,468	87,890	185,019
All other sources	925,415	780,953	875,595	707,535	794,202	401,635	356,125
Total imports	1,089,281	937,988	885,709	799,851	1,061,670	489,525	541,143
Ratio of imports to production-(*percent*)							
China	10.8	11.6	0.7	7.2	18.9	10.7	31.5
All other sources	60.9	57.8	62.5	55.3	56.0	49.0	60.6
Total imports	71.6	69.4	63.2	62.6	74.9	59.7	92.1

Source: Compiled from responses to the Commission's questionnaires, and official Commerce statistics (adjusted).

Figure II-3
Circular welded non-alloy steel pipe: U.S. production and U.S. imports from China and all other sources, 2000-2004, January-June 2004, and January-June 2005



Source: Table II-2.

PART III: THE QUESTION OF MATERIAL INJURY

The information in this section of the report was compiled from responses to the Commission's questionnaires. Eighteen firms, which accounted for the vast majority of U.S. production of circular welded non-alloy steel pipe during the period of investigation, supplied information on such operations.[1] [2]

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-1 presents data (graphically presented in figure III-1) concerning capacity, production, and capacity utilization for domestic manufacturers of circular welded non-alloy steel pipe. U.S. production capacity declined by 1.8 percent from 2000 to 2004, while production fell 6.8 percent; declines in interim data for both factors are 4.9 percent and 28.4 percent, respectively. Capacity utilization declined from 58.8 percent during 2000 to 55.8 percent during 2004, and fell from 59.7 percent to 44.9 percent during the interim periods.

Table III-1
Circular welded non-alloy steel pipe: U.S. production capacity, production, and capacity utilization, 2000-04, January-June 2004, and January-June 2005

Item	Calendar years					January-June	
	2000	2001	2002	2003	2004	2004	2005
Capacity (*1,000 units*)	2,586,007	2,347,822	2,392,279	2,624,232	2,538,957	1,374,917	1,308,025
Production (*1,000 units*)	1,520,350	1,351,999	1,401,898	1,278,666	1,417,128	820,237	587,367
Capacity utilization (*percent*)	58.8	57.6	58.6	48.7	55.8	59.7	44.9

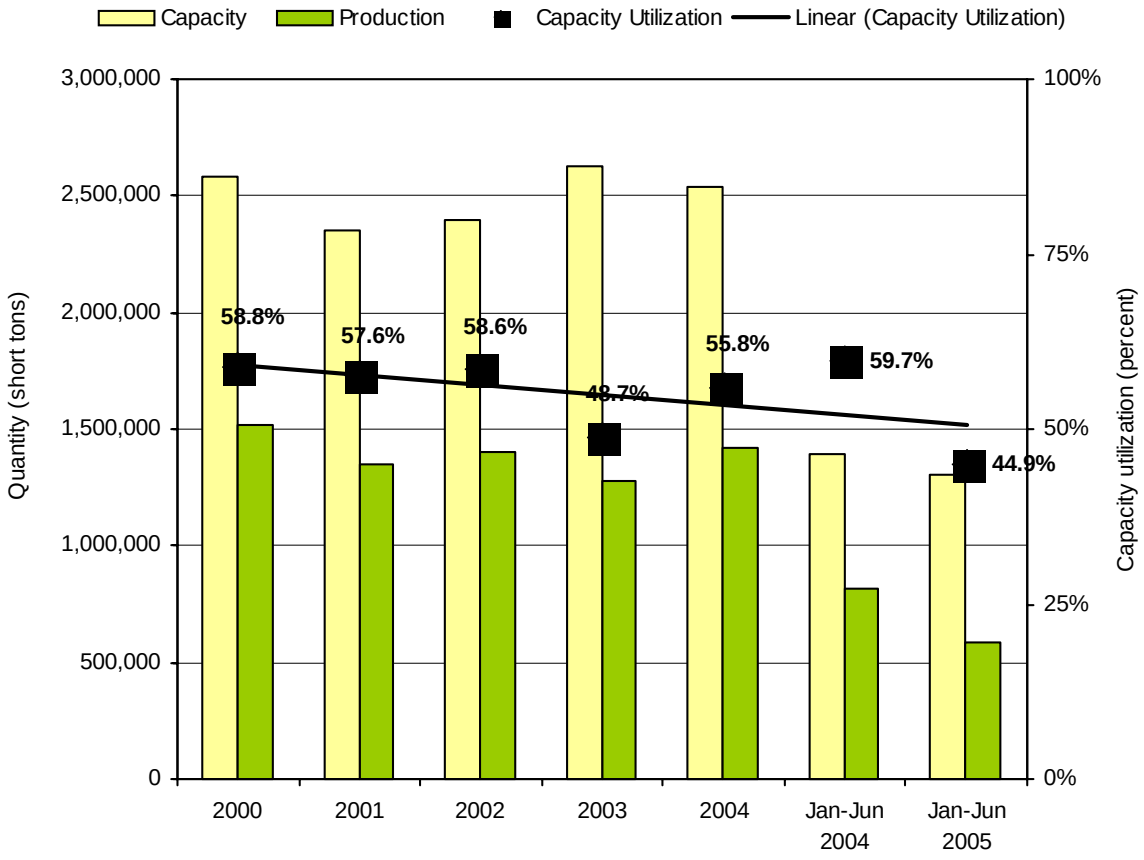
Source: Compiled from data submitted in response to Commission questionnaires.

Fifteen firms (accounting for approximately 90 percent of total reported U.S. production of the subject product during 2004) reportedly produce other pipe products, such as OCTG, line pipe, large-diameter standard and structural pipe, and other pipe, on the same machinery and equipment used to produce the subject pipe. Their product mix is reportedly determined by market demand. Data on capacity and production for all such products by U.S. manufacturers are presented in table III-2.

[1] ***.

[2] Four additional firms were identified as U.S. producers receiving CDSOA disbursements under the current outstanding duty orders on the subject products: Kaiser/Hannibal, LTV/Copperweld, PTC Alliance/Pittsburgh Tube, and Vest. A partial questionnaire response was received from *** which reported shipping *** short tons during 2004, and *** reported that they did not produce the subject products during the period of investigation. Subject operations of LTV/Copperweld are included in the questionnaire response of Maverick Tube. Telephone interview with Roger Schagrin, counsel to petitioners, September 6, 2005.

Figure III-1
Circular welded non-alloy steel pipe: U.S. production capacity, production, and capacity utilization, 2000-04, January-June 2004, and January-June 2005



Source: Table III-1.

Producers were asked to identify the constraints that set limits on their production capacity. Producers reported that capability limitations, including OD gauge and size, as well as mill capacity, including plant and equipment capacity, were the largest constraints that set limits on their production capacity. Four producers reported the availability of raw materials, including steel coil stock, as a constraint. Other constraints cited that set limits to producers' capacity include maintenance shutdowns, available scheduled hours, the running speed of the mill, product mix determined by consumers, and the time needed to switch to a new size of pipe. Table III-3 presents data regarding product manufacturing capabilities by U.S. producers.

Producers were asked if there are any types of circular welded non-alloy steel pipe that U.S. manufacturers do not currently produce (or during the period of investigation did not produce), which must be imported into the U.S. market from China or other countries. Responding producers all stated "no".

Table III-2
Circular welded non-alloy steel pipe: U.S. producers' capacity and production of pipe products using common machinery and equipment, 2000-04, January-June 2004, and January-June 2005

Item	Calendar years					Jan.-June	
	2000	2001	2002	2003	2004	2004	2005
				Quantity (*short tons*)			
Annual capacity for all products	6,326,923	6,455,699	6,810,147	6,890,651	7,039,131	3,490,566	3,522,066
Production:							
Subject products	1,241,187	1,141,158	1,282,763	1,153,890	1,298,142	754,426	525,523
Standard and structural pipe > 16 inches OD	58,617	63,621	58,686	50,221	90,252	37,576	28,734
OCTG[1]	925,493	925,496	658,693	986,243	978,896	472,117	524,498
Line pipe[2]	481,748	501,031	474,561	574,774	518,634	255,914	326,118
Other[3]	1,466,665	1,359,879	1,404,630	1,457,617	1,441,152	750,548	687,100
All products	4,173,710	3,991,185	3,879,333	4,222,745	4,327,076	2,270,579	2,091,975
				Share of total production (*percent*)			
Subject products	29.7	28.6	33.1	27.3	30.0	33.2	25.1
Standard and structural pipe > 16 inches OD	1.4	1.6	1.5	1.2	2.1	1.7	1.4
OCTG	22.2	23.2	17.0	23.4	22.6	20.8	25.1
Line pipe	11.5	12.6	12.2	13.6	12.0	11.3	15.6
Other	35.1	34.1	36.2	34.5	33.3	33.1	32.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
				Capacity utilization (*percent*)			
All products	66.0	61.8	57.0	61.3	61.5	65.0	59.4
Subject products	63.7	59.4	60.4	49.0	57.2	62.6	46.7

[1] Oil country tubular goods.
[2] Welded pipe for oil and gas pipeline applications.
[3] Includes sign posts and commercial quality posts.

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

Table III-3
Circular welded non-alloy steel pipe: U.S. producers' production capabilities and identified limits on producing standard pipe

* * * * * * *

U.S. PRODUCERS' U.S. SHIPMENTS, EXPORT SHIPMENTS, AND INVENTORIES

U.S. producers' shipments of circular welded non-alloy steel pipe are presented in table III-4 and inventories are shown in table III-5. Internal consumption for use in the production of pipe accounted for *** percent of total U.S. shipments during the period of investigation. Exports were a small (2 to 3 percent) and stable share of total U.S. shipments, and export markets included ***. During the period of investigation, U.S. producers' total shipments by quantity fell while value increased. The average unit value of U.S. shipments increased by 35 percent during 2000-04, and increased by 43 percent during interim 2005 when compared to the same period in 2004. Inventories in terms of quantity fell 22 percent from 2000 to 2004, and increased by 4 percent during interim 2005 when compared to interim 2004. The ratio of inventories to production as well as total shipments fell 2.4 percentage points from 2000 to 2004, and increased by 4.6 percentage points during the interim periods.

Table III-4
Circular welded non-alloy steel pipe: U.S. producers' shipments, by types, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
				Quantity (*short tons*)			
Commercial U.S. shipments	1,384,701	1,256,170	1,226,354	1,188,430	1,290,480	752,571	543,050
Internal consumption	***	***	***	***	***	***	***
Transfers to related parties	***	***	***	***	***	***	***
U.S. shipments	1,477,071	1,354,581	1,327,987	1,278,309	1,370,589	798,984	576,579
Export shipments	37,980	27,609	42,288	36,134	38,556	23,043	13,081
Total shipments	1,515,051	1,382,190	1,370,275	1,314,443	1,409,145	822,027	589,660
				Value (*$1,000*)			
Commercial U.S. shipments	822,950	689,915	680,836	703,722	1,038,859	534,256	553,313
Internal consumption	***	***	***	***	***	***	***
Transfers to related parties	***	***	***	***	***	***	***
U.S. shipments	873,113	738,753	733,048	751,885	1,094,343	564,042	582,884
Export shipments	22,779	17,339	25,158	24,067	33,445	18,593	13,515
Total shipments	895,892	756,092	758,206	775,952	1,127,788	582,635	596,399
				Unit value (*per short ton*)			
Commercial U.S. shipments	$594	$549	$555	$592	$805	$710	$1,019
Internal consumption	***	***	***	***	***	***	***
Transfers to related parties	***	***	***	***	***	***	***
U.S. shipments	591	545	552	588	798	706	1,011
Export shipments	600	628	595	666	867	807	1,033
Average	591	547	553	590	800	709	1,011

Table continued on next page.

Table III-4--*Continued*
Circular welded non-alloy steel pipe: U.S. producers' shipments, by types, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
	Share of quantity (*percent*)						
Commercial U.S. shipments	91.4	90.9	89.5	90.4	91.6	91.6	92.1
Internal consumption	***	***	***	***	***	***	***
Transfers to related parties	***	***	***	***	***	***	***
U.S. shipments	97.5	98.0	96.9	97.3	97.3	97.2	97.8
Export shipments	2.5	2.0	3.1	2.7	2.7	2.8	2.2
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table III-5
Circular welded non-alloy steel pipe: U.S. producers' end-of-period inventories, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Inventories (*1,000 units*)	228,801	204,935	203,808	203,520	178,285	168,641	175,111
Ratio to production (*percent*)	15.0	15.2	14.5	15.9	12.6	10.3	14.9
Ratio to U.S. shipments (*percent*)	15.5	15.1	15.3	15.9	13.0	10.6	15.2
Ratio to total shipments (*percent*)	15.1	14.8	14.9	15.5	12.7	10.3	14.8

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

IMPORTS AND OTHER PURCHASES BY U.S. PRODUCERS

Table III-6 presents data, as reported by U.S. producers, on their imports, purchases of imports, and other purchases of circular welded non-alloy steel pipe. Such imports and purchases of circular welded non-alloy steel pipe by U.S. producers are minimal and are made in order to supplement product lines or because of production restraints. No U.S. producer reported imports of the subject product from China.

Table III-6
Circular welded non-alloy steel pipe: U.S. producers' direct imports, purchases of U.S. imports, other purchases, and ratios to production, by sources, 2000-04, January-June 2004, and January-June 2005

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Eighteen firms that produced circular welded non-alloy steel pipe were able to supply employment information related to their U.S. establishments in which the subject product is produced. The data are shown in table III-7. During the period of investigation, the number of production and related workers decreased, and hourly wages and unit labor costs increased.

Table III-7
Circular welded non-alloy steel pipe: U.S. producers' employment-related indicators, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Production and related workers (PRWs)	2,434	2,283	2,378	2,074	2,304	2,451	2,051
Hours worked by PRWs (*1,000 hours*)	5,020	4,611	4,986	4,552	4,560	2,446	1,944
Wages paid to PRWs (*1,000 dollars*)	84,614	79,696	94,685	81,688	87,463	47,315	38,676
Hourly wages	$16.85	$17.28	$18.99	$17.95	$19.18	$19.35	$19.90
Productivity (*units per hour*)	302.5	293.2	281.1	280.9	310.8	335.4	302.2
Unit labor costs (*per unit*)	$55.71	$58.95	$67.54	$63.89	$61.72	$57.68	$65.85

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

An analysis of the decline in employment during January-June 2005 compared to the same period in 2004 follows:[3]

Firm	Laid-off	Transferred to nonsubject production
***	***	***
Wheatland	254 (December 2004-February 2005[4]	
***	***	***
***	***	***
***	***	***
Total	317	69

[3] Petitioners' posthearing brief, p. A-4; and e-mail from ***, September 26, 2005.

[4] In December 2004, Wheatland released 20 workers, citing sluggish demand in the non-residential construction sector. "Wheatland cuts 20 employees; more may loom," *American Metal Market*, Dec. 13, 2004, retrieved at www.amm.com. In February 2005, Wheatland released an additional 89 workers, citing a slow order book and increased import competition. "Wheatland cites low orders, imports for 2d round of cuts," *American Metal Market*, Feb. 8, 2005, retrieved at www.amm.com.

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

Eighteen domestic firms[5] provided useable financial results of their operations processing circular welded non-alloy steel pipe. These firms are believed to account for the vast majority of the domestic industry's production volume during 2004. While one firm reported internal consumption, and two reported transfers, the quantity and value of these affiliated party transactions were small, accounting for less than *** percent of total sales (quantity and value) from 2000 through June 2005. Accordingly, these data are not presented separately. Two producers – Laclede and Newport Steel – exited the industry during the period examined. Both producers ceased operations in 2001.

Operations of U.S. Producers

Aggregate income-and-loss data for the domestic industry on their operations producing circular welded non-alloy steel pipe are presented in table III-8, and selected company-by-company data are presented in table III-9. The full-year data indicate the financial results of the producers deteriorated from 2000 to 2003 before rebounding sharply in 2004. Net sales quantities and values both declined by approximately one-quarter from 2000 to 2003, while operating profits declined by almost two-thirds. While perhaps some of the decline in sales can be attributed to the departure of Laclede and Newport Steel from the industry; the exit of these two generally unprofitable companies does not explain the decline in aggregate profitability by 2003. The declining metrics from 2000 to 2003 generally cut across the entire industry, as 11 of the 16 producers operating continuously from 2000 to 2003 reported decreased net sales values, and 14 of the 16 reported decreased operating profits or deepening losses.

The industry-wide financial decline reversed in 2004. Increases in net sales quantities (10 percent) and unit sales values (38 percent) combined to increase net sales values by more than one-half. All levels and measures of profitability increased by large amounts, fueled by both the increase in sales quantities and the fact that the increase in unit sales values ($224 per short ton) was far in excess of the increases in unit cost of goods sold ("COGS") ($134 per short ton) and selling, general, and administrative ("SG&A") expenses ($15) combined. As with the 2000 to 2003 decline, the 2003 to 2004 increase cut across the entire industry, as all 16 producers reported increased net sales values, and 13 of the 16 reported increased operating profits or smaller losses.

[5] The producers and their fiscal year ends if other than December 31 are: Allied, American (Sept. 17), Bull Moose, CSI, IPSCO, Laclede, Leavitt Tube, Lone Star, Maruichi, Maverick, Newport Steel, Northwest, Sharon, Stupp, Tex-Tube, US Steel, Western Tube, and Wheatland.

Table III-8
Circular welded non-alloy steel pipe: Results of producers on their operations,[1] fiscal years 2000-04, January-June 2004, and January-June 2005

	Fiscal year					January – June	
Item	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Quantity (*short tons*)							
Net sales quantities	1,711,964	1,630,293	1,368,459	1,279,662	1,404,727	826,121	588,619
Value (*1,000 dollars*)							
Net sales values	980,524	893,988	754,016	750,987	1,138,873	615,130	593,393
Cost of goods sold:							
Raw materials	585,343	506,407	417,395	460,068	676,559	334,031	399,057
Direct labor	77,459	84,746	62,794	61,432	75,961	41,314	33,043
Other factory costs	170,249	176,614	147,145	149,211	172,440	91,932	86,749
Total COGS	833,051	767,767	627,334	670,711	924,960	467,277	518,849
Gross profit	147,473	126,221	126,682	80,276	213,913	147,853	74,544
SG&A expenses	74,284	81,511	58,999	55,119	81,030	42,004	34,492
Operating income	73,189	44,710	67,683	25,157	132,883	105,849	40,052
Other expense and (income), net	13,826	13,531	9,463	17,480	17,988	11,340	12,963
Net income before taxes	59,363	31,179	58,220	7,677	114,895	94,509	27,089
Depreciation and amortization	18,300	16,397	13,014	15,128	16,744	8,643	7,977
Cash flow	77,663	47,576	71,234	22,805	131,639	103,152	35,066
Ratio to net sales (*percent*)							
Cost of goods sold:							
Raw materials	59.7	56.6	55.4	61.3	59.4	54.3	67.3
Direct labor	7.9	9.5	8.3	8.2	6.7	6.7	5.6
Other factory costs	17.4	19.8	19.5	19.9	15.1	14.9	14.6
Total COGS	85.0	85.9	83.2	89.3	81.2	76.0	87.4
Gross profit	15.0	14.1	16.8	10.7	18.8	24.0	12.6
SG&A expenses	7.6	9.1	7.8	7.3	7.1	6.8	5.8
Operating income	7.5	5.0	9.0	3.3	11.7	17.2	6.7

Table continued on next page.

Table III-8--*continued*
Circular welded non-alloy steel pipe: Results of producers on their operations,[1] fiscal years 2000-04, January-June 2004, and January-June 2005

	Fiscal year					January – June	
Item	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Unit value (*per short ton*)							
Net sales values	$573	$548	$551	$587	$811	$745	$1,008
Cost of goods sold:							
Raw materials	342	311	305	360	482	404	678
Direct labor	45	52	46	48	54	50	56
Other factory costs	99	108	108	117	123	111	147
Total COGS	487	471	458	524	658	566	881
Gross profit	86	77	93	63	152	179	127
SG&A expenses	43	50	43	43	58	51	59
Operating income	43	27	49	20	95	128	68
Number of firms reporting							
Operating losses	3	6	6	5	1	0	2
Data	18	18	16	16	16	16	16

[1]The producers are Allied, American, Bull Moose, CSI, IPSCO, Laclede, Leavitt Tube, Lone Star, Maruichi, Maverick, Newport Steel, Northwest, Sharon, Stupp, Tex-Tube, US Steel, Western Tube, and Wheatland. Laclede and Newport exited the industry in 2001.

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

Table III-9
Circular welded non-alloy steel pipe: Selected financial data, on a company-by-company basis, of producers on their operations, fiscal years 2000-04, January-June 2004, and January-June 2005

* * * * * * *

The increase in the financial results of the industry did not carry through to 2005. Comparing January-June 2004 results to January-June 2005 results, net sales values were down marginally, and unit sales values were up by more than one-third, but all levels and measures of profitability were down. Central to the decline was the very large increase in unit costs, most of which was attributable to raw material costs.

While *** companies (***) tended to dominate the industry, accounting for approximately two-thirds of net sales values in every period, their aggregate profitability was quite consistent with the industry average. ***, all companies with relatively high sales average unit values ("AUVs"), were generally among the most profitable. At the same time, ***, whose sales AUVs were generally in line with the industry average, and ***, whose sales AUVs were below the industry average, were also quite profitable.

Table III-10 contains the domestic producers' quantity and value data on their purchases of hot-rolled sheet used in the production of circular welded non-alloy steel pipe for fiscal years 2003-04 and

January to June 2004 and 2005. While numerically different than the absolute and per-unit raw material cost data in table III-8,[6] there are nonetheless strong similarities. In particular, both data sets indicate steadily rising unit costs, and both data sets indicate that the unit cost of steel increased by approximately $300 per short ton from FY 2003 through the first half of 2005.[7] [8]

Table III-10
Circular welded non-alloy steel pipe: U.S. producers' purchases of hot-rolled sheet, fiscal years 2003-04, January-June 2004, and January-June 2005

Item	Fiscal year		January-June	
	2003	2004	2004	2005
	Quantity (*short tons*)			
Purchases of hot-rolled sheet	1,414,847	1,364,094	755,161	607,236
	Value (*$1,000*)			
Purchases of hot-rolled sheet	431,907	694,080	340,219	365,203
	Unit value (*per short ton*)			
Purchases of hot-rolled sheet	$305	$509	$451	$601

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

The variance analysis showing the effects of prices and volume on the producers' operations, and of costs and volume on their total cost, is shown in table III-11. The analysis indicates that the increase in profitability from 2000 to 2004 was the result of per-unit revenues (price variance) increasing faster than per-unit operating costs (net cost/expense variance). From January-June 2004 to January-June 2005 the opposite was true, as the decrease in profitability was the result of per-unit costs increasing faster than per-unit revenues. At the same time, the large decrease in sales volume also accounted for a portion of the decrease in operating profits.

[6] It is expected that there will be some differences between the data sets – the data in table III-8 are the cost of all raw materials used to produce the pipe sold in a particular period, while the purchase data in table III-10 are the cost of hot-rolled steel purchased during the same periods. Among other things, there are raw material costs beyond hot-rolled steel, timing differences (it takes at least one to two months for the purchased steel to be processed into pipe) and yield losses in the production process.

[7] In its prehearing brief and at the hearing, the respondent CCCMC asserted that fluctuations in the profitability of U.S. producers of circular welded non-alloy steel pipe are due in large part to the volatility in purchase prices for the main raw material input -- hot-rolled sheet -- and the timing differences that occur between actual purchases of hot-rolled sheet and the sale of the end-use pipe product (at which point raw material costs are transferred to cost of goods sold). An analysis of respondents' argument is presented in appendix H.

[8] Public price data as reported by American Metal Market indicate that hot-rolled sheet prices declined from approximately $637 per ton in the first quarter of 2005 to $550 per ton in the second quarter of 2005. In contrast, the underlying data in table III-10 indicate that the unit value of U.S. producers' purchase costs remained essentially unchanged during this time frame. Counsel for petitioners attributed this discrepancy to the fact that the public data reflect spot prices for future delivery from the steel mills, whereas the data reported by U.S. producers reflect their purchase costs upon receipt of the hot-rolled steel. The time between order placement and receipt of the hot-rolled steel is reportedly two to four months (staff telephone interview with Roger Schagrin, Counsel to Petitioners, September 27, 2005).

Table III-11
Circular welded non-alloy steel pipe: Variance analysis of producers on their operations,[1] fiscal years 2000-04, January-June 2004, and January-June 2005

Item	Between fiscal years					January - June
	2000-04	2000-01	2001-02	2002-03	2003-04	2004-05
	Value *($1,000)*					
Net sales:						
Price variance	334,318	(39,759)	3,607	45,898	314,490	155,107
Volume variance	(175,969)	(46,777)	(143,579)	(48,927)	73,396	(176,844)
Total net sales variance	158,349	(86,536)	(139,972)	(3,029)	387,886	(21,737)
Cost of sales:						
Cost variance	(241,412)	25,542	17,125	(84,084)	(188,699)	(185,910)
Volume variance	149,503	39,742	123,308	40,707	(65,550)	134,338
Total cost variance	(91,909)	65,284	140,433	(43,377)	(254,249)	(51,572)
Gross profit variance	66,440	(21,252)	461	(46,406)	133,637	(73,309)
SG&A expenses:						
Expense variance	(20,077)	(10,771)	9,421	52	(20,524)	(4,564)
Volume variance	13,331	3,544	13,091	3,828	(5,387)	12,076
Total SG&A variance	(6,746)	(7,227)	22,512	3,880	(25,911)	7,512
Operating income variance	59,694	(28,479)	22,973	(42,526)	107,726	(65,797)
Summarized as:						
Price variance	334,318	(39,759)	3,607	45,898	314,490	155,107
Net cost/expense variance	(261,490)	14,772	26,546	(84,032)	(209,223)	(190,473)
Net volume variance	(13,135)	(3,492)	(7,181)	(4,392)	2,459	(30,431)

[1] The data in this table are derived from the data of companies in table III-8.

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

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

Capital Expenditures and Research and Development Expenses

The domestic producers' capital expenditures are presented in table III-12 and their research and development expenditures are presented in table III-13.

Table III-12
Circular welded non-alloy steel pipe: U.S. producers' capital expenditures, fiscal years 2000-04, January-June 2004, and January-June 2005

* * * * * * *

Table III-13
Circular welded non-alloy steel pipe: U.S. producers' research and development expenses, fiscal years 2000-04, January-June 2004, and January-June 2005

* * * * * * *

Assets and Return on Investment

Data on domestic circular welded non-alloy steel pipe producers' assets and their return on investment (defined as operating income divided by total assets) are presented in table III-14. Asset values increased irregularly over time, while the return on investment fluctuated with the changes in operating income.

Capital and Investment

The Commission requested U.S. producers to describe any actual or anticipated negative effects on their return on investment, or their growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of circular welded non-alloy steel pipe from China. Their comments are presented in appendix G.

Effect of Timing Differences Between Purchases of Raw Materials and the Final Sale of Finished Pipe

A discussion of CCCMC's methodology for recalculating and projecting the U.S. industry's profitability to account for the timing differences that occur between the purchase of raw materials and the sale of finished pipe, as well as an alternative calculation developed by Commission staff, are presented in appendix H.

Table III-14
Circular welded non-alloy steel pipe: U.S. producers' assets and return on investment, fiscal years 2000-04, January-June 2004, and January-June 2005

Item	Fiscal year					January - June	
	2000	2001	2002	2003	2004	2004	2005
	Value (*$1,000*)						
Assets							
Cash	16,682	31,813	23,932	24,220	16,281	25,629	71,205
Accounts receivable	178,743	181,127	187,185	178,238	218,524	259,583	229,905
Inventories	190,570	181,448	204,693	170,982	224,619	183,825	204,538
Original cost, fixed assets	408,346	415,844	480,260	512,170	529,052	530,005	503,658
Less: accumulated depreciation	234,305	238,384	260,194	280,418	300,586	299,948	293,022
Equals: Book value	174,041	177,460	220,066	231,752	228,466	230,057	210,636
All other assets	41,021	42,219	46,982	47,682	56,719	40,735	45,203
Total assets	601,057	614,067	682,858	652,874	744,609	739,829	761,487
Operating income	76,211	54,262	67,683	25,157	132,883	105,849	40,052
Return on investment (percent)							
Return on investment	12.7	8.8	9.9	3.9	17.8	14.3	5.3

Note: Based upon the data of those companies that supplied both profit-and-loss and asset data.

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

PART IV: THE QUESTION OF THREAT OF MATERIAL INJURY

THE CHINESE INDUSTRY AND MARKET

Based on a review of publicly available sources, petitioners identified 24 manufacturers of circular welded non-alloy steel pipe in China.[1] The China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters ("CCCMC") submitted a list of 23 steel pipe producers in China that "may be producers of the subject product and who have exported to the United States."[2] There was little overlap between the two lists. Counsel for CCCMC submitted questionnaire responses for 20 manufacturers/exporters of circular welded non-alloy steel pipe in China. The responding firms, and their production and exports to the United States during 2004, are presented in table IV-1.[3]

Chinese Producers

BaZhou DongSheng Hot-dipped Galvanized Steel Pipes, Ltd. (BaZhou DongSheng) was established in 1995. BaZhou DongSheng produces subject pipe in *** inches OD.

Guangdong Walsall Steel Pipe Industries Co., Ltd (Walsall), located in the Guangdong province, was established in 1984. Walsall produces hot-dipped galvanized ERW steel pipe, hot-dipped galvanized electrical conduit, square and rectangular sections, as well as other tubular products. Walsall produces subject pipe made to ASTM A-53, with nominal OD ranging from *** inches and lengths of *** feet; as well as to ASTM A-795, with nominal OD ranging from *** inches and lengths of *** feet.

Hengshui Jinghua Pipe Co., Ltd. (Hengshui Jinghua), established in 1993, is one of seven subsidiaries of the Jinghua Group, a state-owned enterprise located in the Hubei province. Hengshui Jinghua produces on an annual basis 800,000 tons of welded pipe, and 300,000 tons of hot-dipped galvanized pipe.[4]

Northern Steel Pipe Co. Ltd. (Northern) produces standard pipe, line pipe, square and rectangular tubing, as well as other tubular products. Northern produces subject pipe made to ASTM A-53 with OD ranging from *** inches. Northern's annual production capacity is 220,460 short tons.[5]

Shanghai Alison Steel Pipe Co. Ltd., established in 1994, is controlled by China Zhongqing Industrial Group, AKD Group of Canada, and Shanghai Jinshanwei Industrial Company. Shanghai Alison produces standard pipe and line pipe made to ASTM A-53 and API 5-L specifications, as well as square and rectangular tubing. Annual production capacity is approximately *** short tons.

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[1] Petition, pp. 11-13.

[2] Letter from Yan Bangsong, Vice Chairman of CCCMC, August 26, 2005.

[3] Petitioners argue that the data collected for the industry in China are incomplete because (1) the CCCMC was not responsive to the Commission's request for information regarding Chinese firms, "whether or not they currently exported to the United States," (2) a number of companies identified by CCCMC as producers did not respond to the Commission's questionnaire, and (3) responding importers identified a number of additional firms that have not provided responses to the questionnaires. Petitioners' prehearing brief, p. 21, fn 35. Petitioners' estimated that the data coverage for foreign producers in China accounted for 75 percent of total subject operations. Hearing transcript, p. 63 (Schagrin). CCCMC asserts that coverage is better than 90 percent of exports. CCCMC's posthearing brief, p. 24.

[4] Jinghua Group, retrieved at http://www.jhhg.net/English/index.htm.

[5] Northern Steel Pipe Co., retrieved at http://www.npc-pipe.com.

Table IV-1
Circular welded non-alloy steel pipe: Chinese manufacturers/exporters, their production in China, and exports to the United States, by firms, 2004

Firm	Subject product share of total sales (*percent*)	Production		Reported exports to U.S.	
		Quantity (*short tons*)	Share (*percent*)	Quantity (*short tons*)	Share (*percent*)
BaZhou DongSheng Hot-dipped Galvanized Steel Pipes, Ltd.	***	***	***	***	***
Guangdong Walsall Steel Pipe Industries Co., Ltd.	***	***	***	***	***
Guangzhou Pearl River Galvanizing Steel Pipe Works	***	***	***	***	***
Hengshui Jinghua Steel Pipe Co., Ltd.	***	***	***	***	***
Huludao Steel Pipe Industrial Co., Ltd.	***	***	***	([1])	([1])
Northern Steel Pipe Co., Ltd. of Haicheng	***	***	***	***	***
Shanghai Alison Steel Pipe Co., Ltd.	***	***	***	***	***
Shangdong Golden Fortune Imp. & Exp. Co., Ltd.	***	***	***	***	***
Shanghai Minmetals & Products Group	***	([2])	([2])	***	***
Tai Feng Qiao Metal Product Co., Ltd.	***	***	***	***	***
Tianjin Feilong Tube-making Plant Co., Ltd.	***	***	***	***	***
Tianjin No. 1 Steel Rolled Co., Ltd.	***	***	***	***	***
Tianjin Shenzhoutong Steel Pipe Co., Ltd.	***	***	***	***	***
Tianjin Shuangjie Steel Pipe Group Co., Ltd.	***	***	***	***	***
Tianjin Wasong Import & Export Co., Ltd.	***	([2])	([2])	***	***
Tianjin Xingyuda Steel Tube Co., Inc.	***	***	***	***	***
Weifang East Steel Pipe Co., Ltd.	***	***	***	***	***
Xuzhou Guanghuan Steel Tube Co., Ltd.	***	***	***	***	***
Yizheng Duoleng Steel Pipe Co., Inc.	***	***	***	***	***
Zhejiang Kingland Pipleine and Technologies Co., Ltd.	***	***	***	***	***
Total		2,785,994	100.0	250,438	100.0

[1] Did not export until 2005.
[2] Exporter; no production.

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

Tai Feng Qiao Metal Products Co., Ltd. (TFQ), located in East Guangdong, produces galvanized steel pipes (plain and threaded ends) made to ASTM A-53 in nominal OD ranging from *** inches, square and rectangular tube, and cold-rolled sheet pilings.

Tianjin Shenzhoutong Steel Tube Co., established in 2001, produces standard and line pipe made to ASTM A-53 and API 5L specifications, in OD ranging from *** inches. Annual capacity surpasses *** short tons.

Tianjin Shuangjie Steel Pipe Co. Ltd. (Tianjin Shuangjie), founded in 1978, has an annual output of *** short tons of tubular products. Tianjin Shuangjie produces subject product made to ASTM A-53 with OD ranging from approximately *** inches.

Weifang East Steel Pipe Co., Ltd. produces steel pipe made to ASTM A-53 with an OD range of *** inches, scaffolding steel pipe with an OD of approximately *** inches, and other tubular products.

Xuzhou Guanghuan Steel Tube Co., Ltd. (Xuzhou) produces galvanized welded pipe, square and rectangular tubing, as well as other tubular products. Xuzhou has an annual production capacity of *** short tons.

Zhejiang Kingland Pipeline and Technologies Co., Ltd. (Kingland) was established in 1982. Kingland produces subject pipe in OD ranging from *** inches.

Operations in China

Data with respect to circular welded non-alloy steel pipe operations of the 20 respondent firms in China are presented in table IV-2.[6] Capacity to produce and production of the subject product in China increased by approximately 50 percent during 2000-04 and by approximately 2 percent during January-June 2005 compared to the same period in 2004. During the period of investigation, internal consumption and home market shipments declined, while exports to the United States and other third-country markets increased.

[6] Counsel for CCCMC argues that the "end-use criterion in the definition of the subject merchandise effectively produced over-reporting by the Chinese industry" in that all dual-stenciled product was reported as standard pipe. CCCMC's prehearing brief, pp. 77-78.

Table IV-2
Circular welded non-alloy steel pipe: Chinese production capacity, production, shipments, and inventories, 2000-04, January-June 2004, January-June 2005, and projected 2005-06

Item	Calendar years					Jan.-June		Projections[1]	
	2000	2001	2002	2003	2004	2004	2005	2005	2006
Quantity (*short tons*)									
Capacity	2,319,582	2,887,656	3,179,795	3,400,987	3,518,624	1,743,730	1,774,776	3,525,007	3,522,587
Production	1,881,609	2,291,523	2,450,854	2,776,404	2,785,994	1,341,590	1,370,821	2,792,061	2,765,777
End of period inventories	125,872	187,479	167,169	158,106	156,121	299,444	281,127	136,160	117,751
Shipments:									
Internal consumption	117,154	188,268	163,677	162,333	200,242	81,348	89,021	148,714	148,604
Home market	1,497,893	1,859,434	2,129,925	2,302,128	2,086,902	921,027	828,711	2,138,293	2,154,557
Exports to--									
The United States	168,431	120,958	46,283	133,506	264,273	97,475	160,058	233,771	194,269
All other markets	63,850	62,665	138,830	204,753	260,406	103,835	193,677	326,574	334,224
Total exports	232,281	183,623	185,113	338,260	524,679	201,310	353,735	560,345	528,492
Total shipments	1,847,329	2,231,324	2,478,715	2,802,720	2,811,823	1,203,685	1,271,468	2,847,351	2,831,653
Value (*$1,000*)									
Exports to the United States	61,720	41,245	14,506	47,008	141,087	48,577	93,088	124,184	103,983
Unit value (*per ton*)									
Exports to the United States	366	341	313	352	534	498	582	573	580
Ratios and shares (*percent*)									
Capacity utilization	81.1	79.4	77.1	81.6	79.2	76.9	77.2	79.2	78.5
Inventories to production	6.7	8.2	6.8	5.7	5.6	11.2	10.3	4.9	4.3
Inventories to total shipments	6.8	8.4	6.7	5.6	5.6	12.4	11.1	4.8	4.2
Share of total quantity of shipments:									
Internal consumption	6.3	8.4	6.6	5.8	7.1	6.8	7.0	5.2	5.2
Home market	81.1	83.3	85.9	82.1	74.2	76.5	65.2	75.1	76.1
Exports to--									
The United States	9.1	5.4	1.9	4.8	9.4	8.1	12.6	8.2	6.9
All other markets	3.5	2.8	5.6	7.3	9.3	8.6	15.2	11.5	11.8
All export markets	12.6	8.2	7.5	12.1	18.7	16.7	27.8	19.7	18.7

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

Seven firms (accounting for 11 percent of total reported production of the subject product in China during 2004) reported that they produced other pipe products, such as OCTG, line pipe, and other pipe, on the same machinery and equipment used to produce the subject pipe. Data on capacity and production for all products by manufacturers in China are presented in table IV-3.

Table IV-3
Circular welded non-alloy steel pipe: Chinese capacity and production of pipe products using common machinery and equipment, 2000-04, January-June 2004, and January-June 2005

Item	Calendar years					Jan.-June	
	2000	2001	2002	2003	2004	2004	2005
Annual capacity for all products	475,184	475,184	550,184	555,184	560,184	282,592	288,092
Production:							
Subject products	243,363	177,247	181,246	257,590	309,918	144,174	178,451
Standard and structural pipe > 16 inches OD	0	0	0	0	0	0	0
OCTG[1]	6,000	6,500	6,968	14,816	33,563	17,313	20,013
Line pipe[2]	9,677	25,941	39,268	88,811	82,773	34,842	31,464
Other[3]	78,330	83,138	100,409	111,873	96,105	49,040	42,617
All products	337,370	292,826	327,891	473,090	522,358	245,368	272,545
	Share of production (*percent*)						
Subject products	72.1	60.5	55.3	54.4	59.3	58.8	65.5
Standard and structural pipe > 16 inches OD	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OCTG	1.8	2.2	2.1	3.1	6.4	7.1	7.3
Line pipe	2.9	8.9	12.0	18.8	15.8	14.2	11.5
Other	23.2	28.4	30.6	23.6	18.4	20.0	15.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Capacity utilization (*percent*)						
All products	71.0	61.6	59.6	85.2	93.2	86.8	94.6
Subject products	80.1	58.3	55.3	75.8	87.7	82.9	103.8

[1] Oil country tubular goods.
[2] Welded pipe for oil and gas pipeline applications.
[3] Includes compound pipe and square and rectangular tubing.

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

Table IV-4 presents data regarding product manufacturing capabilities by Chinese producers.

Table IV-4
Circular welded non-alloy steel pipe: Chinese producers' production capabilities and identified limits on producing standard pipe

* * * * * * *

China's Export Markets

Information regarding China's export markets for circular welded non-alloy steel pipe under HTS six-digit subheading 7306.30 are presented in table IV-5 and figure IV-1.[7] The data are based on import records of China's trading partners.[8]

The United States was the principal trading partner for China's exports of the subject product during the period of investigation, with the exception of 2002. The share of China's exports of the subject product where the United States was the ultimate destination was 69.9 percent during 2000 and 55.9 percent during 2004. Other export markets during 2004 were Canada (18.2 percent of total exports), Hong Kong (8.6 percent), and Australia (7.1 percent). Average unit values of imports by the United States were generally lower than that of imports in other destination markets.[9]

[7] HTS subheading 7306.30 is a broader tariff classification that includes tubular products that are not subject to this investigation. Specifically, tubular products covered under HTS statistical reporting numbers 7306.30.5010, 7306.30.5015, 7306.30.5020, as well as electrical conduit reported under HTS statistical reporting number 7306.30.5028 are not subject to this investigation.

[8] The data are compiled from the World Trade Atlas. Respondent CCCMC asserted that "the *World Trade Atlas* is an unreliable guide" and "an inferior database, " compared with the United Nations Commodity Trade Database ("UN Comtrade"). CCCMC's prehearing brief, pp. 74-75, and hearing transcript, p. 328 (Prusa). UN Comtrade and the World Trade Atlas are databases that archive national data on imports and exports. The source data for both are provided by official agencies in the reporting countries, so that the trade databases are similar. Discrepancies exist not between the two databases, but between use of exporter records or use of importer records within each database.

[9] Average unit values should be viewed with caution as import valuations in the World Trade Atlas vary by country (e.g., customs value for the United States and c.i.f. for Belgium).

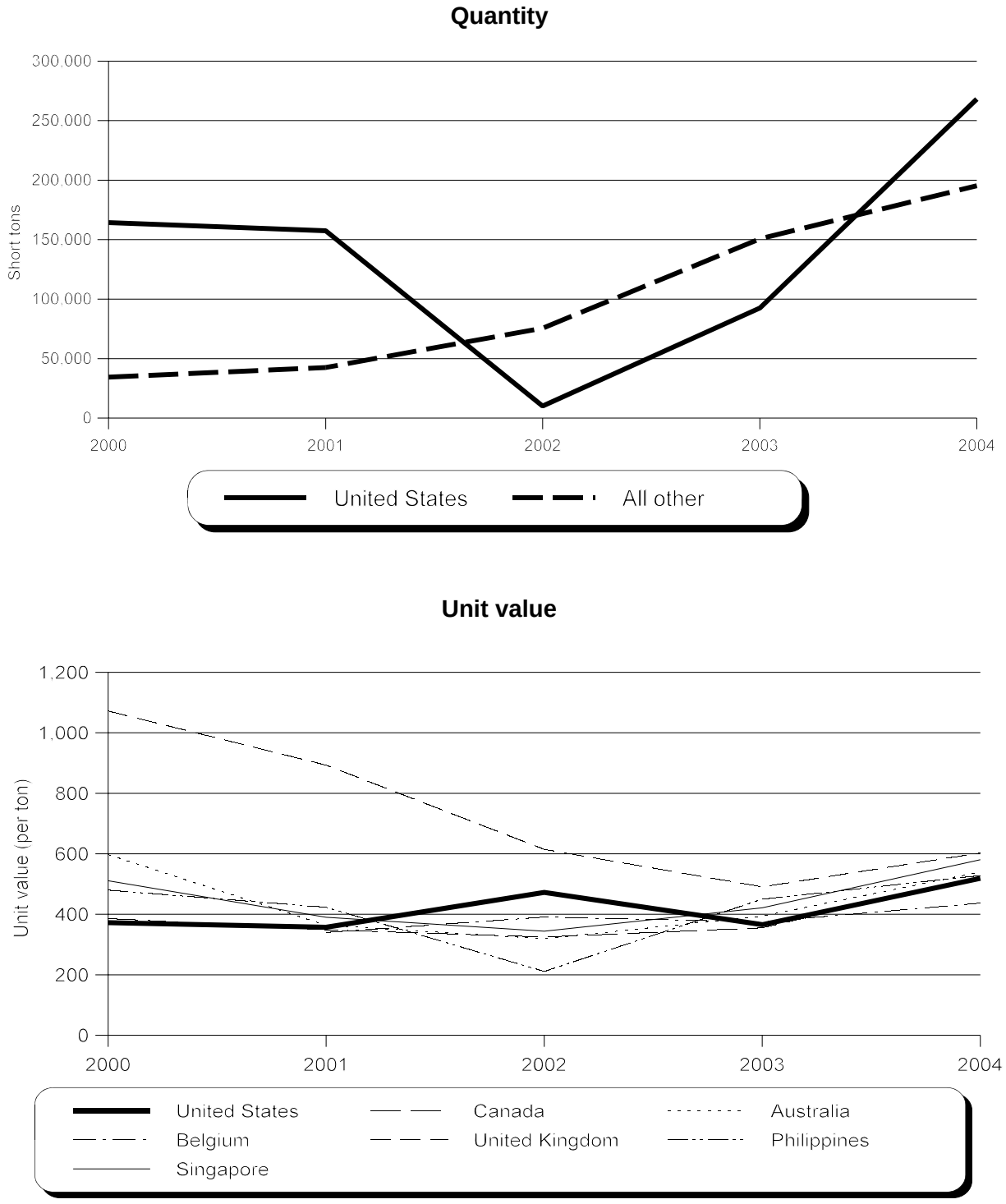
Table IV-5
Circular welded non-alloy steel pipe: Imports from China by major trading partners, 2000-04, January-June 2004, and January-June 2005

Destination	Calendar year				
	2000	2001	2002	2003	2004
	Quantity (*short tons*)				
United States	164,320	157,570	10,233	92,619	268,140
Canada	16,298	17,298	25,835	42,160	87,343
Hong Kong[1]	50,392	45,025	52,752	40,355	41,332
Australia	331	3,916	21,788	32,737	33,881
Belgium	0	30	23	23,785	17,975
United Kingdom	106	423	525	11,903	10,714
Philippines	190	29	31	7,394	2,405
Singapore	901	273	700	1,994	2,223
All other	2,609	3,024	4,255	14,425	15,444
Total	235,145	227,589	116,141	267,371	479,459
	Unit value (*per ton*)				
United States	$372	$357	$472	$366	$519
Canada	386	349	325	355	524
Hong Kong[1]	432	378	390	454	532
Australia	597	364	319	394	540
Belgium	(2)	340	391	375	437
United Kingdom	1,072	893	615	491	603
Philippines	480	423	211	450	528
Singapore	511	390	344	421	580
All other	768	689	717	559	799
Average	391	366	382	401	531
	Shares of quantity (*percent*)				
United States	69.9	69.2	8.8	34.6	55.9
Canada	6.9	7.6	22.2	15.8	18.2
Hong Kong[1]	21.4	19.8	45.4	15.1	8.6
Australia	0.1	1.7	18.8	12.2	7.1
Belgium	(2)	(2)	(2)	8.9	3.7
United Kingdom	0.0	0.2	0.5	4.5	2.2
Philippines	0.1	0.0	0.0	2.8	0.5
Singapore	0.4	0.1	0.6	0.7	0.5
All other	1.1	1.3	3.7	5.4	3.2
Total	100.0	100.0	100.0	100.0	100.0

[1] Excludes re-exports of Chinese-origin product.
[2] Not applicable or less than 0.05 percent.

Source: World Trade Atlas, importer records (HTS subheading 7306.30).

Figure IV-1
Circular welded non-alloy steel pipe: Imports from China by the United States and all other trading partners, 2000-04, January-June 2004, and January-June 2005



Source: Table IV-5.

U.S. IMPORTERS' INVENTORIES

Data on U.S. importers' inventories of circular welded non-alloy steel pipe are presented in table IV-6.

Table IV-6
Circular welded non-alloy steel pipe: U.S. importers' end-of-period inventories of imports, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Imports from China:							
Inventories (*short tons*)	3,253	3,430	2,802	7,256	17,532	7,415	14,339
Ratio to imports (*percent*)	3.1	3.3	17.6	10.1	8.6	4.2	5.1
Ratio to U.S. shipments of imports (*percent*)	3.1	3.3	15.9	9.8	8.3	3.8	4.7
Imports from all other sources:							
Inventories (*short tons*)	12,129	9,990	10,575	4,642	9,147	17,692	12,730
Ratio to imports (*percent*)	3.1	2.5	2.2	1.0	2.0	4.4	3.6
Ratio to U.S. shipments of imports (*percent*)	3.1	2.5	2.2	1.0	2.0	4.7	3.6
Imports from all sources:							
Inventories (*short tons*)	15,382	13,420	13,378	11,898	26,679	25,107	27,069
Ratio to imports (*percent*)	3.1	2.7	2.7	2.2	4.1	4.3	4.2
Ratio to U.S. shipments of imports (*percent*)	3.1	2.7	2.7	2.2	4.0	4.4	4.1

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

U.S. IMPORTS AFTER JUNE 30, 2005

Through its questionnaire, the Commission asked U.S. importers whether they had arranged for the importation of the subject circular welded non-alloy steel pipe from China for delivery after June 30, 2005. Twenty-eight firms reported that they had made arrangements to import circular welded non-alloy steel pipe from China into the United States for varying periods between July and December of 2005. These orders for imports from China totaled 112,462 short tons in amounts varying between *** short tons.[10]

In the course of monitoring imports of steel products under the global safeguard relief, Commerce collects and publishes data regarding the licensing of imports under its Steel Import Monitoring and Analysis System ("SIMA"). The following tabulation presents data on imports of circular welded non-alloy steel pipe from China for the period July-September 2005 and comparison period January-September 2004:

[10] The total volume of reported import orders may be understated as (1) firms accounting for 22 percent of imports of the subject product from China during 2004 did not respond to the Commission's questionnaire, and (2) importers may have underreported orders by providing estimates in response to the questionnaire. For example, ***.

Item	2005			July-September	
	July[1]	August[2]	September[2]	2005	2004[3]
Quantity (*short tons*)	30,287	32,330	24,441	89,893	93,932
Value (*$1,000*)[4]	20,097	18,404	14,752	53,217	56,594
Unit value (*per ton*)[5]	$606	$569	$604	$592	$602

[1] Quantity and value are based on official Commerce statistics; for comparison purposes, unit value was based on SIMA licensing data.
[2] Based on SIMA licensing data; September data were reported through September 27, 2005.
[3] Based on official Commerce statistics.
[4] Value for July is landed, duty-paid; value for August and September based on SIMA data.
[5] Unit values were calculated based on SIMA data for July and the July-September 2005 period.

IMPORT RESTRICTIONS OR REMEDIES IN OTHER COUNTRIES

Circular welded non-alloy steel pipe from China are reportedly not subject to import restrictions or remedies in any WTO-member countries.[11]

[11] Foreign producer questionnaire responses, p. 3, question 5.

PART V: THE QUESTION OF THE CAUSAL RELATIONSHIP BETWEEN THE ALLEGED INJURY AND IMPORTS

U.S. MARKET PENETRATION OF IMPORTS

Apparent U.S. consumption and U.S. market shares are presented in table V-1 and figures V-1 and V-1A.

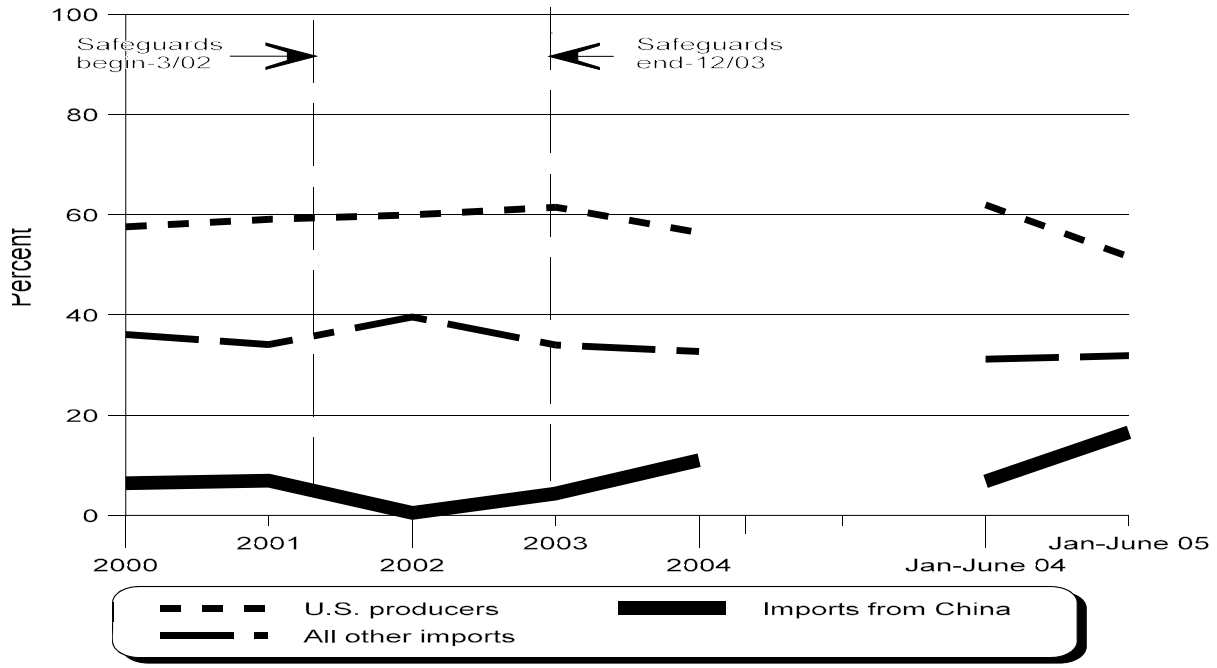
Table V-1
Circular welded non-alloy steel pipe: Apparent U.S. consumption and market shares, 2000-04, January-June 2004, and January-June 2005

Item	Calendar year					January-June	
	2000	2001	2002	2003	2004	2004	2005
Quantity (*1,000 units*)							
Apparent consumption	2,566,352	2,292,569	2,213,696	2,078,160	2,432,259	1,288,509	1,117,722
Value (*$1,000*)							
Apparent consumption	1,406,380	1,154,122	1,152,731	1,162,597	1,819,421	862,842	1,010,758
Share of quantity (*percent*)							
U.S. producers' shipments	57.6	59.1	60.0	61.5	56.4	62.0	51.6
U.S. imports from--							
China[2]	6.4	6.9	0.5	4.4	11.0	6.8	16.6
Covered AD/CVD sources[1]	18.8	18.4	23.5	16.7	15.6	15.3	12.3
Covered 201 sources[2]	3.9	3.0	2.5	1.1	1.7	1.4	2.0
All other sources[2]	13.4	12.7	13.5	16.3	15.4	14.4	17.6
Subtotal nonsubject	36.1	34.1	39.6	34.0	32.7	31.2	31.9
Total imports	42.4	40.9	40.0	38.5	43.7	38.0	48.4
Share of value (*percent*)							
U.S. producers' shipments	62.1	64.0	63.6	64.7	60.1	65.4	57.7
U.S. imports from--							
China	4.8	5.4	0.5	3.6	8.5	5.2	12.0
Covered AD/CVD sources[1]	14.8	14.1	18.1	14.0	13.1	12.5	10.6
Covered 201 sources[2]	5.1	4.5	4.4	2.3	2.2	1.8	3.0
All other sources[2]	13.2	12.0	13.4	15.5	16.1	15.2	16.7
Subtotal nonsubject	33.1	30.6	35.9	31.7	31.4	29.5	30.4
Total imports	37.9	36.0	36.4	35.3	39.9	34.6	42.3

[1] Includes Argentina, Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey.
[2] Individual sources are identified in appendix E, table E-1.

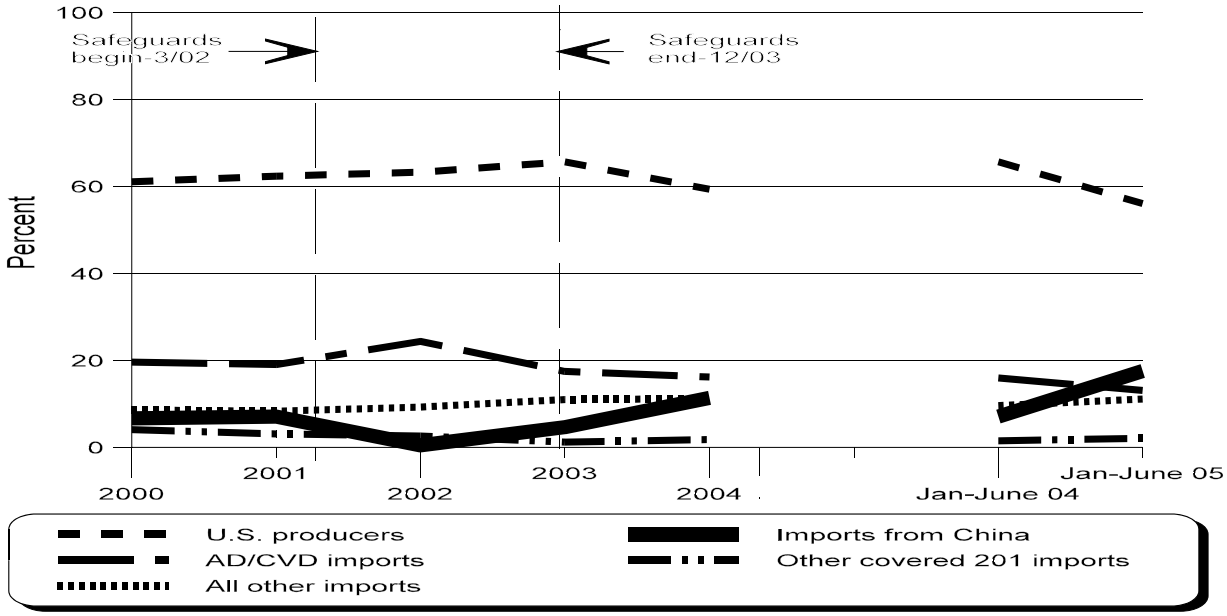
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics (adjusted).

Figure V-1
Circular welded non-alloy steel pipe: Shares of apparent U.S. consumption, 2000-04, January-June 2004, and January-June 2005



Source: Table V-1.

Figure V-1A
Circular welded non-alloy steel pipe: Shares of apparent U.S. consumption, 2000-04, January-June 2004, and January-June 2005



Source: Table V-1.

PRICES AND RELATED INFORMATION

Channels of Distribution

Circular welded non-alloy steel pipe is sold both to distributors and directly to end users. During the period of investigation, the majority of shipments of both U.S.-produced and Chinese circular welded non-alloy steel pipe went to distributors. For U.S. producers, the percentage of shipments made to distributors ranged from about 64 percent to 73 percent, with the remainder going directly to end users. For U.S. importers, over 90 percent of their shipments in each year of the period of investigation were made to distributors.

Supply Considerations

Domestic Production

Based on available information, staff believes that U.S. circular welded non-alloy steel pipe producers are likely to respond to changes in demand with relatively large changes in shipments of U.S.-produced circular welded non-alloy steel pipe to the U.S. market. Factors contributing to this degree of responsiveness of supply are discussed below.

Industry capacity

U.S. producers' reported capacity utilization for circular welded non-alloy steel pipe fluctuated over the period for which data were collected. Capacity utilization for domestic circular welded non-alloy steel pipe producers was at its lowest level in the interim period of 2005 (44.9 percent) and at its highest level (59.7 percent) in the interim period of 2004. Annual data indicate that capacity utilization fluctuated between 48.7 and 58.8 percent during 2000-04. These levels of capacity utilization indicate that U.S. producers of circular welded non-alloy steel pipe have a fairly significant amount of available capacity with which they could increase production of circular welded non-alloy steel pipe in the event of a price change.[1]

Alternative markets

Domestic producers' exports, as a percentage of total shipments, fluctuated somewhat during the period January 2000 to June 2005, but remained at low levels. U.S. producers' exports accounted for between 2.0 and 3.1 percent of total shipments during this time. The low level of exports during the period indicates that domestic circular welded non-alloy steel pipe producers are constrained in their ability to shift shipments between the United States and other markets in response to price changes.

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[1] Two responding purchasers, ***, reported that the supply of subject product in the U.S. market was tight in 2004. For example, *** reported that, in 2004, U.S. producers initiated an allocation system and, as a result, it had difficulty purchasing domestic product and thus, purchased more imported product. ***. *** reported that, in early 2004, availability was an issue and prices went up. *** noted that in 2005, there is a glut of product; however, prices are still up. U.S. producers, at the hearing, indicated that they did have some difficulties obtaining hot-rolled steel for the production of the subject product and that their inventories of finished pipe products were reduced or leadtimes extended. However, those producers at the hearing stated that they did not place customers on allocation (hearing transcript, pp. 174-175 (Dooner), p. 176 (Boggs and Barnes), p. 179 (Barnes and Magno).

Inventory levels

U.S. producers' inventories, as a share of U.S. producers' total shipments, ranged between 12.7 and 15.5 percent during 2000 to 2004, and were 10.3 and 14.8 percent in the interim periods. These moderate levels of inventories suggest that U.S. producers have some ability to use inventories to respond to price changes however, they are likely to be somewhat constrained in this ability.

Production alternatives

Several U.S. producers reported that the equipment and machinery that is used to produce circular welded non-alloy steel pipe can also be used to produce other products. Producers reported manufacturing products such as oil country tubular goods (OCTG), line pipe, galvanized mechanical rounds and squares, and structural and mechanical tubing on the equipment used to produce the subject circular welded non-alloy steel pipe. The ability of U.S. producers to shift production between circular welded non-alloy steel pipe and other products enhances their supply responsiveness.

Supply of Subject Imports to the U.S. Market

Based on available information, staff believes that subject circular welded non-alloy steel pipe producers are likely to respond to changes in demand with relatively large changes in shipments of circular welded non-alloy steel pipe to the U.S. market. Factors contributing to this degree of responsiveness of supply are discussed below.

Industry capacity

Chinese producers' reported capacity utilization for circular welded non-alloy steel pipe fluctuated over the period for which data were collected. Capacity utilization for Chinese circular welded non-alloy steel pipe producers ranged from 77.1 to 81.1 percent between 2000 and 2004; in the interim periods, capacity utilization rates were 76.9 percent (interim 2004) and 77.2 percent (interim 2005). This level of capacity utilization indicates that Chinese producers of circular welded non-alloy steel pipe may have some available capacity with which they could increase production of circular welded non-alloy steel pipe in the event of a price change.[2]

Alternative markets

Based on available data, the majority of Chinese producers' shipments of circular welded non-alloy steel pipe went to the Chinese home market during the period for which data were collected. During this period, internal consumption accounted for between 5.6 and 8.4 percent of total shipments. Shipments to the Chinese home market accounted for between 74.2 and 85.9 percent of total shipments during 2000-04; in the interim periods, home market shipments accounted for 76.5 and 65.2 percent of

[2] Data submitted by Chinese producers of circular welded non-alloy steel pipe include capacity and production projections for 2005 and 2006. Based on these projections, capacity utilization rates would be 79.2 percent in 2005 and 78.5 percent in 2006. At those levels, Chinese producers would have some excess capacity with which they could increase production.

total shipments. Exports to non-U.S. markets accounted for between 2.8 and 7.3 percent of total shipments during 2000-03; however, the share of shipments to the non-U.S. export markets (relative to total shipments) increased to 9.3 percent in 2004. Chinese producers' exports to the U.S. market accounted for between 1.9 and 9.4 percent during 2000-04. These data indicate that Chinese circular welded non-alloy steel pipe producers have a strong home market and other non-U.S. export markets from which they could shift shipments of circular welded non-alloy steel pipe to the United States in the event of a price change in the U.S. market.

Inventory levels

Available data indicate that Chinese circular welded non-alloy steel pipe producers' inventories (as a percentage of total shipments) ranged between 5.6 and 8.4 percent during the period 2000-04. In the interim periods (January-June), the ratio of inventories to total shipments was 12.4 percent (interim 2004) and 11.1 percent (interim 2005). These data indicate that Chinese producers have some ability to use inventories as a means to increase shipments to the U.S. market.

Nonsubject Imports

Circular welded non-alloy steel pipe was imported from a large number of nonsubject countries during the period for which data were collected. Based on the quantity of imports in 2004, the top ten nonsubject sources were Canada, Thailand, Mexico, Korea, Turkey, India, Romania, Philippines, Colombia, and Taiwan. Imports of the subject product from nonsubject countries accounted for 85.0, 83.3, 98.9, 88.5, and 74.8 percent of total imports during 2000-04, respectively. Nonsubject imports, as a percentage of total imports, declined to 65.8 percent in interim 2005.

Demand Considerations

Based on available information, circular welded non-alloy steel pipe consumers are likely to respond to changes in the price of circular welded non-alloy steel pipe with moderately small changes in their purchases of circular welded non-alloy steel pipe. The main contributing factor to this level of responsiveness of demand is the relatively low cost share; the existence of some substitute products tends to enhance the responsiveness of demand.

Demand Characteristics

The vast majority (i.e., at least 90 percent) of shipments of circular welded non-alloy steel pipe is sold commercially with only a relatively small portion being consumed internally or transferred to related firms. U.S. producers and importers sell circular welded non-alloy steel pipe to distributors who in turn resell the product to end users; there are some sales directly from the producer or importer to the end user.

Circular welded non-alloy steel pipe is used in a variety of applications including commercial and residential fencing, plumbing, transmission of air, water, and gas, and in sprinkler systems. Thus, the demand for circular welded non-alloy steel pipe depends on the level of demand for downstream products using these pipe products. Several U.S. producers and importers reported that the demand for circular welded non-alloy steel pipe tends to follow general economic activity in the U.S. economy. For example, *** stated that the economy in general is the prime driver of U.S. demand for circular welded non-alloy steel pipe. *** further noted that during the period 2000-05, the U.S. economy went through a recession and demand followed the cycle. Overall, information on demand trends for circular welded non-alloy steel pipe received from producers, importers, and purchasers was mixed. Based on data received to date, three producers reported that demand for circular welded non-alloy steel pipe declined over the period for

which data were collected, two firms noted an increase, and three stated that demand was flat.[3] Of the 12 responding importers, 9 reported that demand for circular welded non-alloy steel pipe was generally stable since January 2000. The remaining three importers stated that they believed that demand had increased since January 2000.[4] Data collected for this investigation on apparent U.S. consumption indicate that demand (as measured by apparent U.S. consumption) declined by about 19 percent from approximately 2.57 million short tons in 2000 to 2.08 million short tons in 2003. U.S. apparent consumption then increased by 17 percent to 2.43 million short tons in 2004. Available data for the interim periods indicates a decline of approximately 13 percent.[5]

Petitioners and respondents were both asked to comment on any future changes in the demand for circular welded non-alloy steel pipe. U.S. producers generally agreed that they believed that demand for circular welded non-alloy steel pipe would be fairly flat.[6] The one importer, MAN Ferrostaal, that appeared at the hearing stated that while it was hard to make demand predictions, this importers stated that steel demand for the remainder of this year and probably all of next year and the next few years is likely to be very strong.[7] One published source of data on construction reported that nonresidential building appeared to be gaining some momentum at mid-2005 but a jump in material prices has the potential to extend the pause experienced in this sector.[8] McGraw-Hill also noted that the damage from Hurricane Katrina is less intense on the nonresidential side but building materials will see continued upward pressure on prices and availability.

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[3] One U.S. producer that reported an increase in demand for circular welded non-alloy steel pipe, *** reported that demand had increased until the fourth quarter of 2004 but then it began to decline. *** further noted that inventories have increased since the fourth quarter of 2004 and this has resulted in a reduction in demand for circular welded non-alloy steel pipe.

[4] Purchasers were asked a slightly different question. Whereas producers and importers were asked to comment on trends in demand since 2000, purchasers were asked to discuss the impact of development in demand trends in key markets with respect to their firms purchases of circular welded non-alloy steel pipe. Several purchasers reported that changes in demand trends had not impacted their purchases of circular welded non-alloy steel pipe, while a couple indicated that they had availability concerns which affected their purchases of circular welded non-alloy steel pipe.

[5] Respondents have argued that, over time, there has been a steady decrease in steel usage by the construction sector. Respondents presented a "steel intensity index" for the construction sector which they define as the ratio of total pipe in the U.S. market relative to the Department of Commerce construction index (CCMC's prehearing brief, p. 47). Petitioners disagree with this argument and noted that "there has been a softness in non-residential construction, but not a decrease in the intensity of the use of standard pipe in non-residential construction" (hearing transcript, p. 223 (Blecker). In their posthearing brief, petitioners argue that the steel intensity index is unreliable because it includes data on residential construction (which, according to Petitioners, does not use a lot of circular welded non-alloy steel pipe) and it uses a nomical measure of the value of construction activity without an inflation adjustment (petitioners' posthearing brief, p. 16). In CCCMC's posthearing brief, the steel intensity index is presented based on just nonresidential construction; these data show fluctuations in the annual data for 2000-04 and a decline in the interim periods (CCCMC's posthearing brief, "Responses to questions of Commissioner Hillman, p. 1).

[6] Hearing transcript, p. 247 (Boggs), p. 248 (Perrine and Magno), and p. 249 (Barnes).

[7] Hearing transcript, pp. 269-70 (Coibion).

[8] "*Hurricane Katrina: Implications for the Construction Industry*", McGraw Hill Construction Special Report, http:www.comnstruction.com/AboutUs/20050909pr.asp, retrieved Sept. 26, 2005.

Substitute Products

While producers and importers were mixed with regard to the existence of substitute products, a number reported that substitute products do exist for circular welded non-alloy steel pipe products. Of the 14 responding U.S. producers, 12 reported that substitute products exist; these firms listed products such as standard and structural pipe, single and multiple certified line pipe, plastic pipe, ductile iron copper pipe, cast iron pipe, stainless tubing, and flexible tubing. Fourteen of the 22 responding importers stated that substitute products do exist for circular welded non-alloy steel pipe products. Products cited by importers as potential substitutes include copper tubing, PVC, seamless pipe, wooden fencing, plastic fencing, and structural tubing.

Cost Share

As noted earlier, circular welded non-alloy steel pipe is used in residential and non-residential construction applications. While it varies depending on the specific application, the cost share of circular welded non-alloy steel pipe (relative to the end products in which it is used) is generally relatively small.

Information from questionnaires, the hearing, and the prehearing briefs all indicate that the relative cost share of the subject pipe products is relatively small.[9]

Substitutability Issues

The degree of substitution between domestic and imported circular welded non-alloy steel pipe depends upon such factors as relative prices, quality (e.g., grade standards, defect rates, etc.) and conditions of sale (e.g., lead times between order and delivery, availability of product, product services, etc.). Based on available data, staff believes that there is a relatively high degree of substitution between domestically produced circular welded non-alloy steel pipe and circular welded non-alloy steel pipe imported from China.

Factors Affecting Purchasing Decisions

In order to assess which factors are important in purchasing decisions, questionnaire recipients were asked to identify the three major factors considered by their firm in deciding from whom to purchase circular welded non-alloy steel pipe (table V-2).[10] Quality and price were reported by the largest number of purchasers (nine firms) as the number one factor that they consider when choosing a supplier of circular welded non-alloy steel pipe. Quality was also the most frequently cited number two factor considered; eight firms listed quality as the second most important factor in deciding from whom to purchase circular welded non-alloy steel pipe. Price and availability were also listed frequently as the second-most-important factor; six purchasers ranked price as the number two factor and five firms ranked availability as the number two factor. In addition, quality, price and traditional supplier were the three

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[9] Only a couple of importers provided estimates which ranged from a low of 5 percent for structural applications to 100 percent for closet rods. Petitioners' economist indicated that the cost of circular welded non-alloy steel pipe in the construction of a building is probably less than 2 to 3 percent of the total cost (hearing transcript, pp. 84-85 (Blecker)).

[10] The Commission sent questionnaires to 55 firms believed to be purchasers of circular welded non-alloy steel pipe. Twenty-four firms provided useable responses. Of the 24 responding purchasers, 20 identified themselves as distributors, 2 as end users, and 2 stated that they were both an end user and a distributor. Firms identifying themselves as end users reported making yard hydrants, pipe nipples, pipe couplings, and gates and kennels.

most frequently listed number three factors. Other factors reported by at least one firm were product range, delivery, location of supplier, traditional supplier, and existing contracts.

Table V-2
Circular welded non-alloy steel pipe: Ranking of purchasing factors by purchasers

Factor	Number of firms reporting		
	Number 1 factor	Number 2 factor	Number 3 factor
Quality	9	8	4
Availability	2	5	4
Price	9	6	6
Traditional supplier	2	0	3
Existing/reliable contract	1	1	1
Range of product line	0	1	2

Note.--Other factors mentioned include delivery security, location of supplier, credit, and service. These answers were not included above.

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

As noted in table V-2, quality is an important consideration for purchasers of circular welded non-alloy steel pipe. Firms were asked to identify the factors that determine the quality of circular welded non-alloy steel pipe. Responding companies cited a number of factors, including meeting ASTM specifications, quality of weld, surface condition (rust resistance), dimensional adherence, wall thickness, tensile strength, galvanized coating conditions, quality of thread and seams, and straightness.

Purchasers were asked if they were aware of the country of origin and the manufacturer of the circular welded non-alloy steel pipe that they purchased. In addition, purchasers were also asked if their customers were aware of and/or interested in the country of origin of the circular welded non-alloy steel pipe that is supplied to them. The following tabulation summarizes the responses:

Purchaser / Customer Decision	Always	Usually	Sometimes	Never
Purchaser is aware of the country of origin	17	5	2	0
Purchaser is aware of the manufacturer	9	11	4	0
Purchaser's customer is aware of and/or interested in the country of origin	7	8	8	1

Based on the available information presented above, most purchasers always know the country of origin and usually or always are aware of the manufacturer of the circular welded non-alloy steel pipe that they buy. There was a fairly even split in responses from purchasers with regard to their customers' awareness and/or interest in the country of origin of the product. Seven purchasers reported that their customers always are aware of and/or are interested in the country of origin; eight purchasers reported usually; and eight purchasers reported sometimes.

Purchasers were also asked if they specifically ordered circular welded non-alloy steel pipe from one country in particular over other sources of supply. The vast majority of responding purchasers (17 of

18) reported that they did not specifically order circular welded non-alloy steel pipe from one source.[11] The one purchaser that responded in the affirmative noted that small diameter pipe (i.e., below ½ inch) is generally only available domestically. Available data indicate that many purchasers buy circular welded non-alloy steel pipe from both domestic and imported sources.[12] Purchasers were asked to report if the relative shares of their total purchases of circular welded non-alloy steel pipe from different sources changed in the past 5 years. As is shown in table V-3, 12 purchasers provided information on changes in the source of their purchases of circular welded non-alloy steel pipe. Seven firms noted changes in their purchases of U.S.-produced product, with two reporting an increase, four reporting a decrease, and one firm reporting both an increase and a decrease. Six purchasers reported that the relative share of their purchases of Chinese product increased.

Table V-3
Circular welded non-alloy steel pipe: Changes in purchases, by firm

* * * * * * *

Purchasers were asked if they always, usually, sometimes, or never purchased the lowest priced circular welded non-alloy steel pipe. Generally, most responding purchasers indicated that they usually or sometimes buy the least expensive circular welded non-alloy steel pipe products. Two purchasers reported always purchasing the lowest priced product; 14 firms usually purchased the lowest priced product; and 7 firms sometimes purchased the lowest priced product.

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table V-4). The factors listed as very important were product quality which meets specifications (21 firms), price (19 firms), reliability of supply (19 firms), availability (18 firms), product consistency (17 firms), and delivery time (16 firms).[13] Other factors cited by a large number of purchasers as very important include discounts offered (10 firms), U.S. transportation costs (10 firms), product quality that exceeds specifications (9 firms), and delivery terms (8 firms).

Purchasers were asked for a country-by-country comparison on the same 15 factors (table V-5). For the U.S. product compared to the Chinese product, the most frequently reported difference in the factors noted by a majority of responding purchasers was that the U.S. product was superior to the Chinese product with regard to delivery time (12 firms), availability (11 firms), delivery terms (9 firms), reliability of supply (9 firms), technical support (9 firms), product consistency (8 firms), and transportation network (8 firms). All but two firms (11 of 13) reported that the U.S. product was inferior to the Chinese product with regard to lower price (i.e., the Chinese product is lower priced than the domestic product). A majority of responding purchasers reported that the U.S. and Chinese products

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[11] U.S. producers reported that sales of circular welded non-alloy steel pipe made subject to "Buy American" provisions likely account for about 5 to 10 percent (hearing transcript, pp. 246-247 (Miller, Thomson, and Schagrin)).

[12] Detailed information on purchases of circular welded non-alloy steel pipe on a company-by-company basis are presented in app. I. Reported purchases by these firms accounted for *** percent of U.S. producers' shipments of domestic product, *** percent of imports from China, and *** percent of imports from nonsubject countries. Staff has not yet received the purchase data from MMI who was requested to provide this data at the hearing; staff will forward these data upon receipt from MMI.

[13] With regard to delivery time, U.S. producers and importers were asked to estimate the leadtime for delivery of the circular welded non-alloy steel pipe that they sell in the U.S. market. U.S. producers reported that sales from inventory generally have a leadtime of 1 day to 2 weeks; sales for product produced to order have leadtimes of about 1 to 6 weeks. A couple of U.S. importers reported that, if they are selling from inventory, the leadtime for delivery is 1 to 3 days; however, most importers reported that leadtimes for delivery of Chinese circular welded non-alloy steel pipe are in the range of 3 to 4 months.

were comparable with respect to discounts offered, minimum quantity requirements, packaging, quality meets industry specification, product range, and U.S. transportation costs.

Table V-4
Circular welded non-alloy steel pipe: Importance of purchase factors, as reported by purchasers

Factor	Very important	Somewhat important	Not important
	Number of firms responding		
Availability	18	3	0
Delivery terms	8	13	1
Delivery time	16	6	0
Discounts offered	10	9	3
Price	19	3	0
Minimum quantity requirements	5	14	3
Packaging	5	15	2
Product consistency	17	5	0
Product quality (meeting specifications)	21	1	0
Product quality (exceeding specifications)	9	10	3
Product range	7	13	1
Reliability of supply	19	3	0
Technical support/service	5	15	2
Transportation network	6	15	1
U.S. transportation costs	10	9	3

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

Table V-5
Circular welded non-alloy steel pipe: Number of purchasers' comparisons of U.S. product and subject imports

Factor	U.S. vs China		
	S	C	I
	Number of firms responding		
Availability	11	-	1
Delivery terms	9	4	-
Delivery time	12	-	1
Discounts offered	-	10	3
Lower price	-	2	11
Minimum quantity requirements	5	8	-
Packaging	3	9	1
Product consistency	8	5	-
Quality (meeting specifications)	6	7	-
Quality (exceeding specifications)	6	6	1
Product range	4	7	1
Reliability of supply	9	2	1
Technical support/service	9	3	1
Transportation network	8	3	1
U.S. transportation costs	3	10	-

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.

Producers, importers, and purchasers were also asked whether or not the U.S.-produced product could be used interchangeably with the Chinese product. The majority of responding U.S. producers (14 of 14), importers (13 of 15), and purchasers (10 of 11) reported that the two products were used interchangeably in end uses. One U.S. producer provided additional comments. *** noted that its "product may be prettier and shinier and overall a way better product, but the end use is a framework for chain linked fence and the Chinese product is acceptable." One importer that stated that the domestic and Chinese products were not interchangeable. *** reported that the U.S.-produced circular welded non-alloy steel pipe is used in high-quality end uses and imports from China are used in low-quality end uses.

Producers and importers were also asked if there were any differences in product characteristics or sales conditions between domestic and Chinese circular welded non-alloy steel pipe that were a significant factor in their sales of the product; most U.S. producers (11 of 14) and importers (19 of 23) reported that there were not. However, one U.S. producer, ***, noted that the quality of the U.S. product is better, deliveries by domestic firms are quicker, and more technical support is available from U.S.

producers. Importers that reported that there were differences noted factors such as low quality, long delivery times, narrow product ranges, and poor technical support for the Chinese product.

Elasticity Estimates

Elasticity estimates are discussed below and may be used in the preparation of remedy recommendations. Parties were asked to comment on these estimates in their briefs and information from the parties is included where appropriate.

U.S. Supply Elasticity

The domestic supply elasticity for circular welded non-alloy steel pipe depends on factors such as the level of excess capacity, the ability to shift production to alternate products, and the availability of alternate markets. Analysis of these factors indicates that the domestic producers of circular welded non-alloy steel pipe have the ability to alter domestic shipments in response to a change in the relative price of circular welded non-alloy steel pipe. An estimate in the range of 5 to 10 was suggested for purposes of the prehearing report; staff has considered arguments of the parties and has revised its estimate slightly to 4 to 8.[14]

Petitioners state that they believe that a range of 3 to 5 is appropriate for the domestic supply elasticity. Petitioners argue that an estimate in the range of 3 to 5 is more reasonable than 5 to 10. Petitioners note that their estimate is based on the fact that the capacity utilization rates in the domestic industry have been low and that evidence in the record shows that price-cost margins have adjusted in response to subject imports.[15] Staff notes that there is ample excess capacity and U.S. producers would have the ability to increase shipments to the U.S. market in response to price changes. Staff also notes that other factors also support a relatively high elasticity, such as production alternatives. Several U.S. producers can and do produce products other than the subject standard pipe on the same machinery and equipment. Data collected from U.S. producers indicates shifts in production between circular welded non-alloy steel pipe and other products such as OCTG.[16]

Subject Import Supply Elasticity[17]

The subject import supply elasticity for circular welded non-alloy steel pipe depends on factors such as the level of excess capacity, the ability to shift production to alternate products, and the availability of alternate markets. Chinese producers of circular welded non-alloy steel pipe have excess

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[14] Respondents stated that "they have no issues with the elasticities proposed in the Staff report (CCCMC's posthearing brief, "Responses to questions of Vice Chairman Okun", p. 27).

[15] Petitioners' prehearing brief, Ex. 3, p. 11 and fn 15, p. 11.

[16] See table III-2 of this report for the share of total production of different pipe products.

[17] Petitioners argue that the non-subject import supply is likely to be lower than the subject import supply elasticity. Petitioners argue that the non-subject import supply elasticity is likely in the range of 1 to 2; this implies that suppliers in non-subject countries are very constrained in their ability to change the quantity supplied to the U.S. market. Petitioners argue that this low elasticity of supply is appropriate since approximately one half of the imports from nonsubject sources are entering the United States under antidumping or countervailing duty orders (petitioners posthearing brief, p. A-26). Staff notes that imports from these sources can and did enter the U.S. market. While data on foreign producers (other than China) capacity utilization and alternate markets is not available, staff notes that available data do show yearly variations in the amount of imports from each of the nonsubject countries; thus, this indicates that nonsubject suppliers have shown their flexibility in shifting to and from the U.S. market. This flexibility enhances the supply elasticity and thus, staff believes that an estimate in the range of 5 to 10 is reasonable.

capacity and alternate markets which give them the ability to alter shipments in response to a change in the relative price of circular welded non-alloy steel pipe. An estimate in the range of 5 to 10 is reasonable.[18]

Petitioners state that they believe that the subject import supply elasticity is likely in the range of 3 to 5 and they note "the demonstrated ability of Chinese producers to greatly increase their supply into the U.S. market in the last few years."[19] Staff concurs that data in the record, such as excess capacity for Chinese suppliers and the existence of a strong home market, indicate that Chinese producers are likely to be able to either produce more or shift sales from the home market to the U.S. market in response to price changes in the U.S. market. These factors enhance the supply responsiveness of the Chinese producers and as such staff believes that an estimate in the range of 5 to 10 is reasonable.

U.S. Demand Elasticity

The U.S. demand elasticity for circular welded non-alloy steel pipe depends on the availability of substitute products as well as the share of circular welded non-alloy steel pipe in the production cost of downstream products. There are some substitutes for circular welded non-alloy steel pipe; however, circular welded non-alloy steel pipe is usually a relatively small part of the total cost of the end products in which it is used. Based on the available information, the aggregate demand for circular welded non-alloy steel pipe is likely to be relatively inelastic. An estimate in the range of -0.75 to -1.0 was suggested. This estimate has been revised to -0.50 to -0.75 to reflect the additional information obtained at the hearing and in briefs which indicate that a larger percentage of the subject product is used in non-residential construction applications than is used in residential applications. Available information indicates that there are fewer substitute products for non-residential use than for residential use and that the relative cost share of standard pipe (to the total cost of a construction project) is less in non-residential uses.[20]

Petitioners propose an estimate of -0.25 to -0.50 for the elasticity of domestic demand. Petitioners state that the demand elasticity should be relatively low "because there are few technically or

[18] An estimate for subject import supply was not included in the staff prehearing report, however, comments by parties on this elasticity were included in their briefs and are addressed as appropriate.

[19] Petitioners' prehearing brief, ex. 3, p. 11.

[20] Petitioners estimate the various sizes of the circular welded non-alloy pipe markets as follows: sprinkler 25 percent, fence 20 percent, plumbing, HVAC, building mechanical systems 50 percent, construction structural applications, and conduit shells 2 percent (petitioners' posthearing brief, p. A-42).

economically viable substitutes un most applications in which it is used."[21] Petitioners also note that the standard pipe subject to this investigation is usually a relatively small cost factor in most applications (especially in nonresidential construction which is the main use).[22] Staff has taken into account these arguments and has revised its estimate somewhat. However, staff notes that Merchant Metals, ***, stated at the hearing that as availability of standard pipe tightens and the price of standard pipe increases, there is a movement towards other products. According to Merchants Metals, this is true for both the residential and commercial construction markets.[23] Therefore, based on the fact that there are some substitutes for standard pipe, staff believes that an estimate in the range of -0.5 to -0.75 is reasonable.

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 the reliability of supply. Based on available information, the elasticity of substitution between domestic and subject circular welded non-alloy steel pipe is likely to be moderately high and in the range of 4 to 6.[24]

Petitioners disagree with staff's estimate and state that the elasticity of substitution should be very high as "the largest number of purchasers rank{s} price as the most important factor in purchasing decisions and ...subject imports easily replace domestic products when sold at lower prices."[25] Petitioners suggest a range of 5 to 9. Staff notes that while a large number of purchasers (nine firms) reported that price was the number one factor in their purchasing decisions, an equal number reported that quality was the number one factor. Information from purchasers comparing the quality of U.S.-produced and Chinese standard pipe indicates that almost one half of the responding purchasers stated that the quality of the U.S.-produced product is superior to that of the Chinese product.[26] Staff notes that the majority of responding purchasers stated that availability and delivery time were very important factors in their purchasing decisions (table V-4). Moreover, virtually all of the responding purchasers reported that the U.S. product was superior to the Chinese product with respect to availability and delivery time. Petitioners further note that because the majority of circular welded non-alloy steel pipe is sold to distributors who hold product in inventory; thus, according to the petitioners, differences in delivery time are not significant.[27] Staff notes, however, that the majority of purchasers that responded to the Commission's questionnaire were in fact distributors. It is these distributors that reported that delivery time was very important and that the U.S. was superior with respect to delivery time. Moreover, staff notes that ***.[28] Finally, staff notes that there are some differences in the grades of circular welded non-alloy steel pipe sold by domestic producers and importers of the Chinese product. Available information indicate that while there appears to be overlap for many of the end uses for grade A and grade B circular

[21] Petitioners' prehearing brief, ex. 3, p. 10.

[22] Ibid, ex. 3, p. 10.

[23] Hearing transcript, p. 221-222 (Thomson).

[24] Staff notes that it has considered the comments by petitioners and additional information obtained since the prehearing report and staff has adjusted its estimate somewhat.

[25] Petitioners' prehearing brief, ex. 3, p. 9.

[26] See table V-5 of staff report. Six of the 13 responding purchasers reported that the quality (meeting specifications) of the U.S.-produced product was superior to that of the Chinese product. Therefore, even though both domestic and Chinese products must meet the same ASTM standards, almost one half of responding purchasers reported that the quality of the U.S. product is better.

[27] Petitioners' posthearing brief, p. A-30

[28] Staff telephone interview with ***, September 22, 2005.

welded non-alloy steel pipe, available information indicates that there may be some end uses where substitution between these two grades is not possible.[29] Therefore, the degree of substitution between domestic and Chinese products may be lessened by the fact that the Chinese imports are mainly of grade A product while U.S. producers have shipped more grade B and non-ASTM or other ASTM-grade circular welded non-alloy steel pipe.

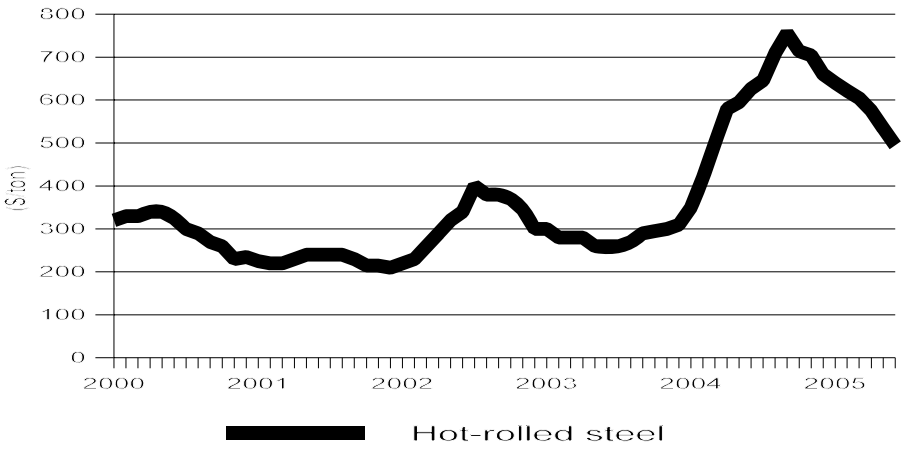
Thus, staff notes that while there is a relatively high degree of substitution between the domestic and Chinese products, there are factors that differentiate these two products. Because there are differences in availability, delivery, and sometimes quality, staff believes that an estimate in the range of 4 to 6 is reasonable.

Factors Affecting Pricing

Raw Materials

The primary raw material used in the production of circular welded non-alloy steel pipe is hot-rolled steel. Prices for hot-rolled steel fluctuated during 2000 and 2001, reaching their lowest level in December 2001 ($210 per ton). During 2002 and the first half of 2003, prices for hot-rolled steel fluctuated; however, prices for hot-rolled steel began to rise in the second half of 2003 and continued to rise to their highest level in September 2004 ($756 per ton). Prices for hot-rolled steel have declined steadily since that month and were at $495 per ton at the end of June 2005 (figure V-2). However, Wheatland Tube reported that U.S. producers of hot-rolled steel have announced increases of $60 per ton for hot-rolled steel in September 2005 and have announced another $30 per ton increase for October.[30]

Figure V-2
Hot-rolled steel prices, by month, January 2000-June 2005



Source: Purchasing Magazine Transaction Price Report.

[29] Petitioners' posthearing brief, p. A-43.

[30] Hearing transcript, pp. 68-69 (Dooner).

Another raw material used in the production of circular welded non-alloy steel pipe is zinc. At the hearing, several U.S. producers reported that the price of zinc had increased. Testimony at the hearing indicated that zinc prices increased during the period of investigation.[31] As shown in figure V-3, the price of zinc generally declined from 2000 to 2003; prices for zinc then increased and reached levels in 2005 that were slightly above those of 2000.

Figure V-3
Zinc prices, by month, January 2000-June 2005

Source: American Metal Market, http://www.amm.com/priorprice/matprice.asp, retrieved September 22, 2005.

Exchange Rates

The nominal value of the Chinese yuan relative to the U.S. dollar has remained virtually unchanged since the first quarter of 2000.

Transportation Costs to the U.S. Market

Transportation charges for imports of circular welded non-alloy steel pipe from China to the United States were approximately 10.1 percent during 2004. This estimate is derived from official import data and represents the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.

In response to a question on factors that may have affected purchasers' buying patterns, several purchasers discussed changes in transportation options and costs. Several purchasers noted that overall transportation costs have increased and as such, some purchasers stated that their profitability is being hurt or that they are more conscious of the location of the suppliers.

[31] Hearing transcript, p. 51 (Schagrin) and p. 184 (Schagrin).

U.S. Inland Transportation Costs

U.S. inland transportation costs for circular welded non-alloy steel pipe ranged between 2.5 to 12 percent for U.S. producers, with the average about 6 percent. Importers reported that U.S.-inland transportation costs ranged between 2 and 10 percent, with an average of about 4.4 percent. Producers and importers were also asked to estimate the percentage of their sales that occurred within 100 miles of their storage or production facility. Most U.S. producers reported that the majority of their shipments are made between 101 and 1,000 miles while most importers reported that the majority of their shipments were within 100 miles of their storage facility. Of the 17 producers, 12 reported that 50 percent or more of their shipments were between 101 and 1,000 miles; only three firms reported that the majority of their shipments were within 100 miles of their storage or production facility. On the other hand, 12 of 16 responding importers reported that at least 70 percent of their shipments were within 100 miles of their storage facility.

Pricing Practices

Most domestic producers and importers reported that pricing for circular welded non-alloy steel pipe is usually done on a transaction-by-transaction basis. Nine U.S. producers and 16 importers reported determining prices in this manner. Three importers noted that prices are based on contracts which involve multiple shipments. A few firms (two U.S. producers and three importers) reported that their prices for circular welded non-alloy steel pipe are based on set price lists.

Twelve of 14 responding U.S. producers reported that 95 percent or more of their sales of circular welded non-alloy steel pipe were made on a spot basis, with 11 of these firms stating that 100 percent were spot sales. For the *** producers that reported contracts, the duration was typically ***, the contract fixed both price and quantity, and there were standard minimum quantity requirements.[32] The majority of responding importers (16 of 20) also reported that their sales of circular welded non-alloy steel pipe were on a spot basis. Fourteen of these firms stated that all of their sales are on a spot basis while the remaining two indicated that over 80 percent were on a spot basis. Four responding U.S. importers reported that all of their sales of circular welded non-alloy steel pipe are on a contract basis. The duration of these contracts varied among the responding importers but ranged from 2 to 6 months, with three of the four firms reporting contracts of 4 to 6 months in duration. All four of these importers stated that their contracts fix both price and quantity and generally do not include any meet-or-release clauses. Standard minimum quantity requirements were reported by one of these firms, however, it was very low (i.e., *** tons).

Producers and importers were asked if their firm sells circular welded non-alloy steel pipe over the internet. The vast majority of responding producers and importers reported that they do not sell the subject product over the internet. Thirteen of the 14 responding U.S. producers and 26 of the responding importers stated that they did not sell circular welded non-alloy steel pipe via the internet.

Responses by U.S. producers and importers were mixed with regard to whether prices for circular welded non-alloy steel pipe are usually on a delivered basis or an f.o.b. basis. Eleven of the 14 responding U.S. producers and 9 of the 27 responding importers reported that their firm generally arranges the transportation for shipment to their customers' facilities.[33] On the other hand, three U.S. producers and 17 importers reported that their customers generally arrange transportation.

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[32] *** reported that its contracts typically had a standard minimum quantity of *** tons and that they did contain meet-or-release clauses. *** reported that its contracts had a minimum quantity requirement of *** tons and the contracts did not typically have meet-or-release clauses.

[33] One of these U.S. producers, ***, reported that ***.

Sales Terms and Discounts

Many U.S. producers (9 of 14) reported that they offered some form of quantity discounts to their customers, either based on the quantity of a particular sale or based on annual volume purchased. On the other hand, the majority of responding importers (16 of 23) reported that they had no formal quantity discount policy. A number of U.S. producers (9 of 14) reported that they offer discounts for early payment such as ½ percent to 2 percent if invoices are paid within 10 days. However, the majority of responding importers (16 of 20) indicated that they did not have early payment discounts.

Price Data

The Commission requested quarterly data for the total quantity and value of commercial shipments of five circular welded non-alloy steel pipe products.[34] Data were requested for the period January 2000 through June 2005. The products for which pricing data were requested are as follows:

Product 1.–ASTM A-53 schedule 40 black plain-end, with nominal outside diameter of 2-4 inches inclusive.

Product 1A.–Circular welded non-alloy steel pipe meeting ASTM A-53 or equivalent, schedule 40, black, plain-end, 2 inches nominal inside diameter.

Product 2.–ASTM A-53 schedule 40 galvanized plain-end, with nominal outside diameter of 2-4 inches inclusive.

Product 3.–ASTM A-53 schedule 40 black plain-end, with nominal outside diameter of 6-8 inches inclusive.

Product 4.–Galvanized fence tube, with nominal outside diameter of 1 3/8 - 2 3/8 inches inclusive, and wall thickness of 0.055-0.075 inch.

Twelve U.S. producers and 17 importers provided usable pricing data for sales of the requested products in the U.S. market, although not all firms reported pricing data for all products for all quarters. The reported price data accounted for 33.1 percent of the 2004 value of commercial shipments of U.S.-produced circular welded non-alloy steel pipe, as well as 44.9 percent of the 2004 value of shipments of imports of circular welded non-alloy steel pipe from China. Data on reported weighted-average selling prices and quantities for products 1 through 4 are presented in tables V-6 through V-10, and figure V-4.

[34] The petition contained four product definitions which were included in the original questionnaires; a supplemental request was sent to U.S. producers and importers to provide data on one additional product.

Table V-6
Circular welded non-alloy steel pipe: Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 1 from China, with margins of underselling/(overselling), by quarters, January 2000-June 2005

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	Per short ton	*Short tons*	*Per short ton*	*Short tons*	*Percent*
2000:					
Jan.-Mar.	$461.22	30,744	***	***	***
Apr.-June	455.03	33,125	***	***	***
July-Sept.	440.23	38,642	$409.13	2,268	7.1
Oct.-Dec	433.44	31,439	***	***	***
2001:					
Jan.-Mar.	425.65	29,565	***	***	***
Apr.-June	425.80	32,257	***	***	***
July-Sept.	407.43	31,627	***	***	***
Oct.-Dec	409.55	28,683	***	***	***
2002:					
Jan.-Mar.	408.83	27,818	***	***	***
Apr.-June	428.79	43,101	***	***	***
July-Sept.	456.25	41,617	***	***	***
Oct.-Dec	470.35	30,601	***	***	***
2003:					
Jan.-Mar.	448.06	30,367	445.10	348	0.7
Apr.-June	459.00	32,920	444.24	1,223	3.2
July-Sept.	460.17	38,238	440.33	2,356	4.3
Oct.-Dec	476.45	41,194	447.46	1,333	6.1
2004:					
Jan.-Mar.	599.37	46,812	***	***	***
Apr.-June	796.06	46,791	***	***	***
July-Sept.	811.62	32,780	629.25	11,880	22.5
Oct.-Dec	794.91	25,896	599.70	10,768	24.6
2005:					
Jan.-Mar.	914.45	32,960	623.75	16,138	31.8
Apr.-June	907.35	35,128	621.86	13,625	31.5

Product 1.–ASTM A-53 schedule 40 black plain-end, with nominal outside diameter of 2-4 inches inclusive.

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

Table V-7
Circular welded non-alloy steel pipe: Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 1A from China, with margins of underselling/(overselling), by quarters, January 2000-June 2005

	United States		China		
	Price	Quantity	Price	Quantity	Margin
Period	*Per short ton*	*Short tons*	*Per short ton*	*Short tons*	*Percent*
2000:					
Jan.-Mar.	$508.77	3,426	***	***	***
Apr.-June	507.91	3,069	***	***	***
July-Sept.	502.31	3,278	***	***	***
Oct.-Dec	502.03	3,038	***	***	***
2001:					
Jan.-Mar.	485.34	2,736	***	***	***
Apr.-June	478.59	3,339	***	***	***
July-Sept.	467.60	3,696	***	***	***
Oct.-Dec	459.54	3,789	***	***	***
2002:					
Jan.-Mar.	445.31	4,034	***	***	***
Apr.-June	484.46	5,181	***	***	***
July-Sept.	525.65	4,488	***	***	***
Oct.-Dec	***	***	***	***	***
2003:					
Jan.-Mar.	490.65	4,040	***	***	***
Apr.-June	507.27	4,299	***	***	***
July-Sept.	506.87	3,998	***	***	***
Oct.-Dec	524.44	5,262	***	***	***
2004:					
Jan.-Mar.	638.02	6,470	***	***	***
Apr.-June	958.34	4,036	***	***	***
July-Sept.	939.45	2,363	***	***	***
Oct.-Dec	947.34	2,391	***	***	***
2005:					
Jan.-Mar.	***	***	$653.58	686	26.3
Apr.-June	849.02	3,099	***	***	***

[1] Less than 0.5 short tons.

Product 1A.– ASTM A-53 or equivalent, schedule 40, black, plain-end, 2 inches nominal inside diameter.

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

Table V-8
Circular welded non-alloy steel pipe: Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 2 from China, with margins of underselling/(overselling), by quarters, January 2000-June 2005

	United States		China		
	Price	Quantity	Price	Quantity	Margin
Period	*Per short ton*	*Short tons*	*Per short ton*	*Short tons*	*Percent*
2000:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	***	***	***
2001:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	***	***	***
2002:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	$443.53	1,884	***
2003:					
Jan.-Mar.	***	***	445.56	1,196	***
Apr.-June	***	***	503.83	2,074	***
July-Sept.	***	***	472.47	7,409	***
Oct.-Dec	***	***	476.08	5,038	***
2004:					
Jan.-Mar.	***	***	600.26	5,475	***
Apr.-June	***	***	680.26	7,786	***
July-Sept.	***	***	680.08	12,260	***
Oct.-Dec	***	***	671.48	7,402	***
2005:					
Jan.-Mar.	***	***	688.16	4,513	***
Apr.-June	***	***	695.52	4,282	***

Product 2.– ASTM A-53, schedule 40, galvanized, plain-end, with nominal outside diameter of 2-4 inches inclusive.

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

Table V-9
Circular welded non-alloy steel pipe: Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 3 from China, with margins of underselling/(overselling), by quarters, January 2000-June 2005

	United States		China		
	Price	Quantity	Price	Quantity	Margin
Period	*Per short ton*	*Short tons*	*Per short ton*	*Short tons*	*Percent*
2000:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	***	***	***
2001:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	***	***	***
2002:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec	***	***	***	***	***
2003:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	$522.82	23,136	$480.27	384	8.1
July-Sept.	450.56	28,295	510.32	475	(13.3)
Oct.-Dec	439.14	25,892	476.07	595	(8.4)
2004:					
Jan.-Mar.	525.11	30,838	585.58	2,287	(11.5)
Apr.-June	792.24	33,085	***	***	***
July-Sept.	892.59	23,123	653.93	2,262	26.7
Oct.-Dec	914.52	13,091	669.04	5,719	26.8
2005:					
Jan.-Mar.	894.98	13,466	693.41	5,348	22.5
Apr.-June	878.81	18,044	696.76	13,978	20.7

Product 3.– ASTM A-53, schedule 40, black, plain-end, with nominal outside diameter of 6-8 inches inclusive.

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

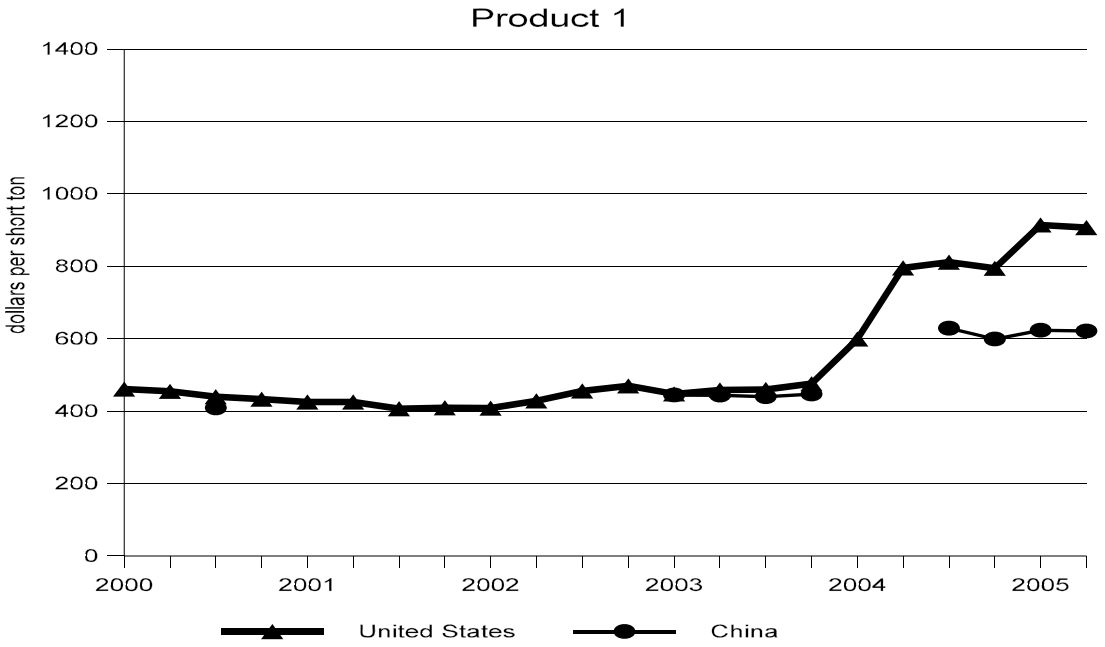
Table V-10
Circular welded non-alloy steel pipe: Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 4 from China, with margins of underselling/(overselling), by quarters, January 2000-June 2005

	United States		China		
	Price	Quantity	Price	Quantity	Margin
Period	*Per short ton*	*Short tons*	*Per short ton*	*Short tons*	*Percent*
2000:					
Jan.-Mar.	$809.86	9,186	***	***	***
Apr.-June	812.17	12,997	***	***	***
July-Sept.	801.89	9,113	***	***	***
Oct.-Dec	813.24	7,017	***	***	***
2001:					
Jan.-Mar.	772.57	7,929	***	***	***
Apr.-June	768.30	12,249	***	***	***
July-Sept.	781.81	8,522	***	***	***
Oct.-Dec	767.22	6,586	***	***	***
2002:					
Jan.-Mar.	758.60	12,871	***	***	***
Apr.-June	783.88	16,839	***	***	***
July-Sept.	822.85	11,024	***	***	***
Oct.-Dec	853.73	8,383	***	***	***
2003:					
Jan.-Mar.	848.55	9,581	***	***	***
Apr.-June	826.67	14,694	***	***	***
July-Sept.	806.97	12,318	***	***	***
Oct.-Dec	825.17	12,108	***	***	***
2004:					
Jan.-Mar.	900.87	15,250	$535.13	2,038	40.6
Apr.-June	1,241.58	10,086	***	***	***
July-Sept.	1,293.89	8,172	***	***	***
Oct.-Dec	1,220.52	6,533	683.11	6,244	44.0
2005:					
Jan.-Mar.	1,171.52	11,622	758.90	2,802	35.2
Apr.-June	1,192.39	12,230	740.34	4,543	37.9

Product 4.– Galvanized fence tube, with nominal outside diameter of 1⅜ - 2⅜ inches inclusive, and wall thickness of 0.055-0.075 inch.

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

Figure V-4
Circular welded non-alloy steel pipe: Weighted-average f.o.b. prices of domestic and imported products 1-4, January 2000-June 2005



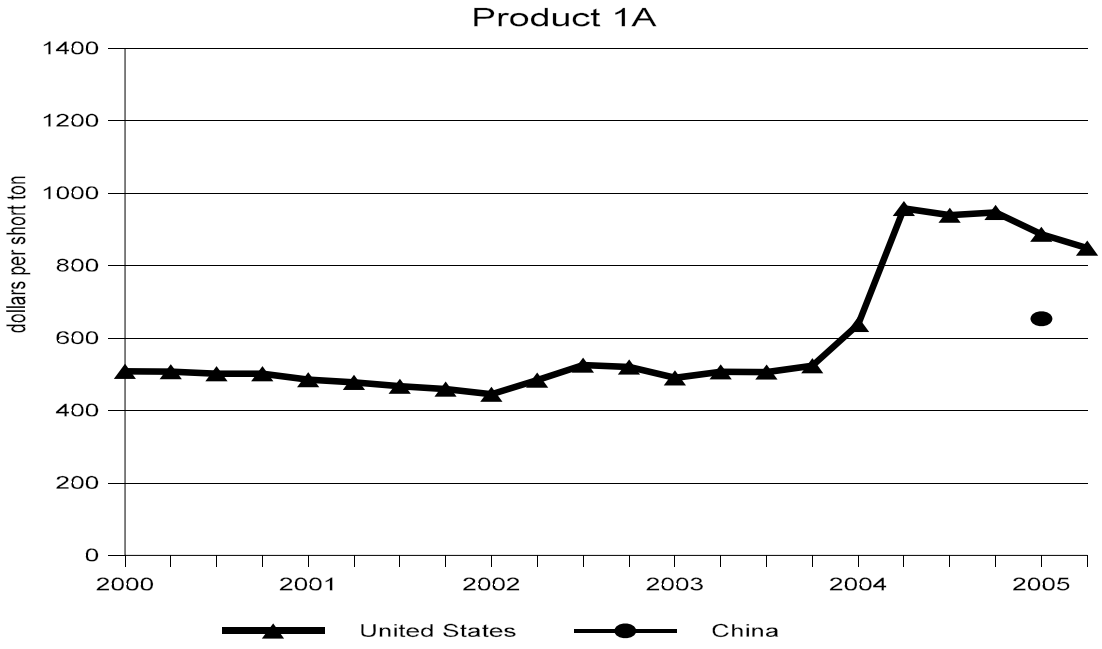
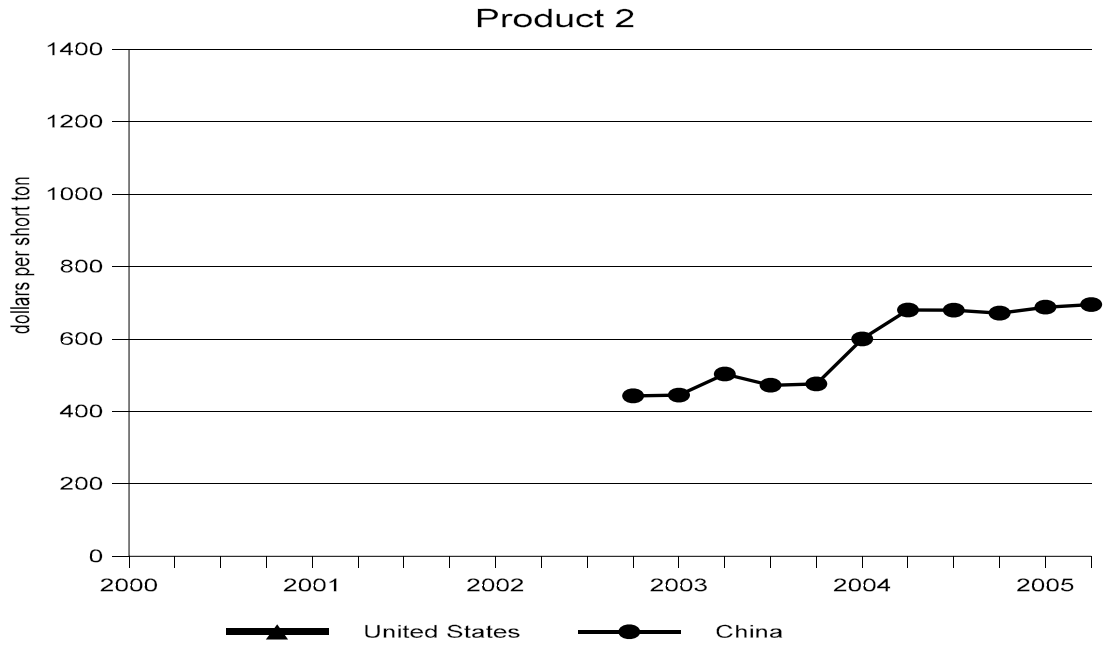


Figure continued on next page.

Figure V-4 –*Continued*
Circular welded non-alloy steel pipe: Weighted-average f.o.b. prices of domestic and imported products 1-4, January 2000-June 2005



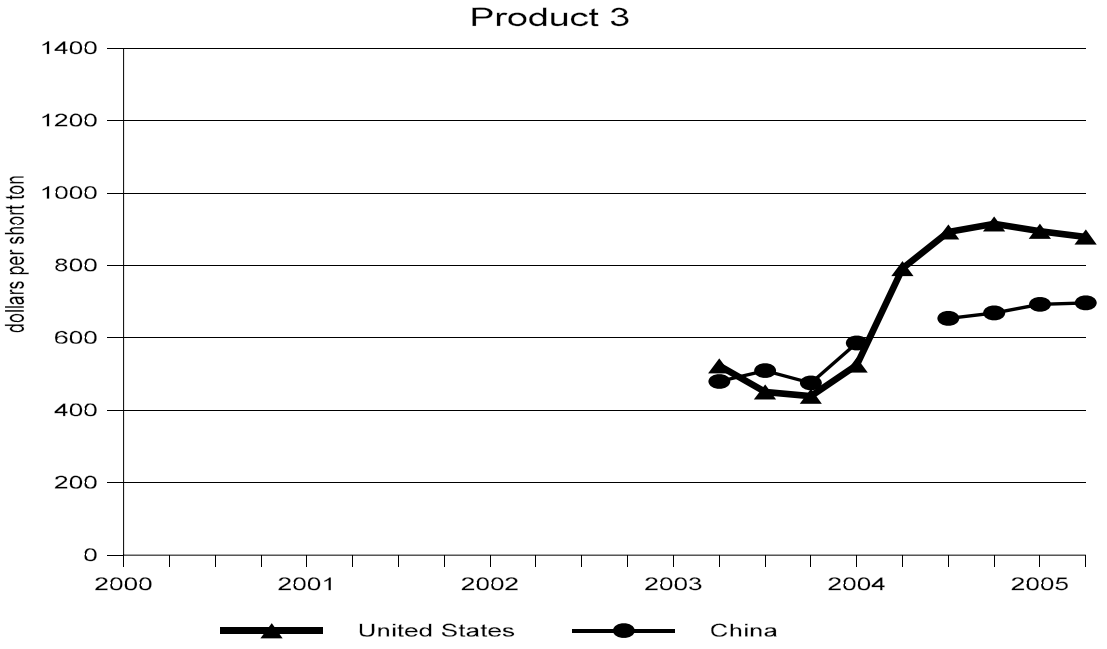
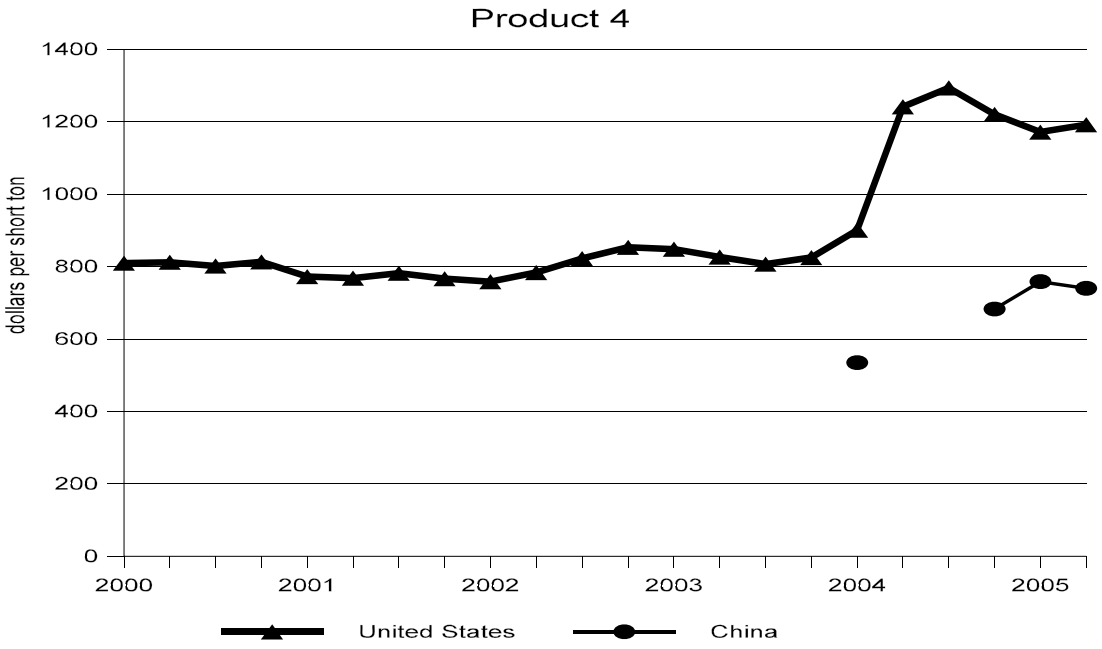


Figure continued on next page.

Figure V-4 –*Continued*
Circular welded non-alloy steel pipe: Weighted-average f.o.b. prices of domestic and imported products 1-4, January 2000-June 2005



Source: Tables V-6 to V-10.

Price Trends

Weighted-average U.S. quarterly f.o.b. prices of circular welded non-alloy steel pipe products 1-4 generally fluctuated during 2000 to 2003 then rose fairly significantly through 2004. Prices for three of the five products for which price data were requested from U.S. producers showed declines in 2005; however, prices at the end of the period (April-June 2005) were much higher than they were at the beginning (January-March 2000). Overall, prices for U.S.-produced circular welded non-alloy steel pipe products 1, 1A, 2, 3, and 4 increased by 96.7 percent, 66.9 percent, 109.1 percent, 100.7 percent, and 47.2 percent, respectively, between the first quarter of 2000 and the second quarter of 2005. Prices for circular welded non-alloy steel pipe products imported from China and sold in the U.S. market also increased irregularly over the period January-March 2000 to April-June 2005. During that period, prices for products 1, 1A, 2, 3, and 4 increased by 39.6 percent, 77.9 percent, 31.7 percent, 69.4 percent, and 38.4 percent, respectively.

Available information indicates that some U.S. producers of circular welded non-alloy steel pipe have announced price increases for some products. Wheatland Tube recently announced an increase of $60 per ton on grade B pipe; according to Wheatland this type of pipe accounts for less than 15 percent of its total circular welded non-alloy steel pipe sales.[35] Allied recently increased its prices of sprinkler pipe (i.e., black, pain end pipe) but not its galvanized product which is used in the fence business.[36] IPSCO reported that it announced a price increase in August on ERW grade B pipe which was effective

[35] Hearing transcript, p. 69 (Dooner).

[36] Hearing transcript, p. 150 (Boggs).

September 15 and Maverick announced a price increase effective for October shipments.[37] On the other hand, representatives from Sharon Tube and Western Tube and Conduit reported that their companies have not increased the price of the subject circular welded non-alloy steel pipe products.

Price Comparisons

Price comparisons between U.S.-produced and imported circular welded non-alloy steel pipe were possible in 104 instances. In 84 of 104 instances, the imported Chinese product was priced below the domestic product, with margins ranging between 0.5 and 50.1 percent. In the remaining 20 instances, the U.S.-produced product was priced above the imported product; margins of overselling ranged from 0.2 to 82.8 percent.[38] Much of the overselling (12 of 20 instances) occurred in comparisons for product 2.

Lost Sales and Lost Revenues

The Commission requested U.S. producers of circular welded non-alloy steel pipe to report any instances of lost sales or revenues they experienced due to competition from imports of circular welded non-alloy steel pipe from China during January 2000-June 2005. Petitioners provided useable information for 17 lost sales allegations; these allegations totaled approximately $28.5 million and involved 27,923 tons of circular welded non-alloy steel pipe. Several producers provided some information on lost sales and/or lost revenue allegations; however, the data were incomplete. Information on the allegations are summarized in table V-11 and purchaser responses are discussed below.

Table V-11
Circular welded non-alloy steel pipe: U.S. producers' lost sales allegations

* * * * * * *

*** sales of import pipe and domestic pipe were down Jan.-June 2005 compared to Jan.-June 2004. If the decrease in tons sold were equal for both products, the domestic sales, and therefore purchases, would have been *** tons greater."

*** attached a response to a previous investigation in 2001 that stated "the *** tons were bid by a domestic producer at $*** and China at $***. The order was placed with China. The Chinese mill informed us the order would be delayed *** months. The prevailing Chinese price had dropped from $*** to $*** for the similar delivery period. We offered to keep the order provided the price was revised to $***. The mill accepted- the order is at ***."

*** stated that it was "unable to identify based on lack of supporting detail." In addition, it provided details of its purchases from *** and stated, "the current level we are paying is *** percent higher than the two ending transactions in 2004. We have *** transactions higher than your indicated $*** for which is claimed to have lost domestic sales. Our purchases all last year with *** were $***."

*** provided information on its purchases but did not comment on the specific amounts in the lost sales allegations. According to ***, the company has increased its purchases of Chinese product and the reason it did so was because of lower prices.[39] A representative from *** stated that *** has shifted a greater percentage of its purchases to Chinese product because other purchasers of circular welded non-

[37] Hearing transcript, p. 151 (Barnes) and p. 152 (Lux).

[38] The margin of overselling of 82.8 percent represents ***.

[39] See *** questionnaire response, section II-2.

alloy steel pipe have shifted to buying Chinese product and *** feels it needs to buy Chinese product to remain competitive. ***.[40]

[40] ***.

PART VI: U.S. PRODUCERS' EFFORTS TO COMPETE AND REQUESTED RELIEF

EFFORTS BY U.S. PRODUCERS TO COMPETE

U.S. firms were requested in the Commission's producer questionnaire to provide information on their competitive efforts since January 2000, and the adjustments they would make in their circular welded non-alloy steel pipe operations if import relief were granted. Their responses are presented in tables VI-1 and VI-2, respectively. For the majority of the firms, capital expenditures for the purchase of replacement equipment and environmental items were the leading expenditures. *** all responded that they did not undertake any efforts to compete more effectively.

Table VI-1
Circular welded non-alloy steel pipe: Responses regarding efforts undertaken to compete since January 1, 2000, by firm

* * * * * * *

Table VI-2
Circular welded non-alloy steel pipe: Responses regarding adjustments to operations if import relief were provided, by firm

* * * * * * *

*** said they had no plans to make adjustments if import relief is granted.

Table VI-3 provides informsation on major capital investments of U.S. steel companies on their tubular operations.

Table VI-3
Tubular steel: Major capital investments of U.S. steel companies, as reported in public sources, 2001-05

Year	Company *location*	Facility	Reported investment[1] *(million dollars)*
2001	Lone Star Steel Co. *Lone Star, TX*	New pipe heat-treatment facility. New descaling system.	
2002	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Saginaw, TX.	
2003	Northwest Pipe *Portland, OR*	Purchase of new spiral mill to be installed in Parkersburg, WV.	
2003	Sharon Tube Co. *Sharon, PA*	New ERW mill in Niles, OH, produces hollows for their cold-draw facilities as well as outside customers.	9.5
2004	Sharon Tube Co. *Sharon, PA.*	Sharon Tube bought a Stretch Reduction Mill (near Sharon, PA) which heats large tube up to 1800 degree Fahrenheit and stretches it to make smaller tube. The plant equipment is still in storage.	
2004	Bull Moose Tube *Chesterfield, MO*	Bull Moose purchased a production facility in Casa Grande, AZ. Production was expected to begin in early 2005.	
2005	Maverick Tube Corp. *Chesterfield, MO*	Maverick announced its intention to locate its new Republic Conduit mill in Louisville, KY. Construction began in early 2005.	63
2005	IPSCO Inc. *Lisle, IL*	IPSCO announced plans to install new high-speed finishing line at its Blytheville, AR pipe mill. Production expected by the end of 2005.	

[1] Where no value is given, data were not reported in source.

Source: *AISE Iron and Steel Engineer* and *AISE Steel Technology*, various issues; Preston Press, *Domestic Mill Activity*, various issues, unless otherwise specified.

REQUESTED IMPORT RELIEF

Petitioners requested that the Commission recommend to the President that he impose a quota on imports of circular welded non-alloy steel pipe from China at a level of 90,000 tons annually for a period of five years, with the quota increasing by 5 percent per annum.[1] The Commission's producer questionnaire requested that in the event that the Commission should find market disruption to the U.S. industry producing circular welded non-alloy steel pipe, firms were to provide information on what form of import relief they would support (ranked in order of preference). The following responses were received:

****

Quota level: 90,000 tons per year adjusted 5% per annum

[1] Petition, p. 29.

***
1. Increased tariff rate (20%)
2. Quota level (5% of total market - maximum)
3. Orderly marketing arrangements

***
1. Quota level: Roll back to average of 2002-2003
2. Increased tariff rate: 18%-20%
3. Tariff rate quota level: 20% - specific tonnage average 2000-2003
4. Orderly marketing arrangements
5. Other: Set specific tonnage per quarter by region of the country.

***
1. Quota level
2. Tariff rate quota level
3. Increased tariff rate
4. Orderly marketing arrangements

***
1. Quota level - 90K ton range
2. Increased tariff rate - 30%
3. Tariff rate quota level - 90K then 30%
4. Orderly marketing arrangements
5. Other

***
Increased tariff rate: to insure product is not subsidized or dumped in the North American U.S. market.

***
1. Tariff rate quota level
2. Increased tariff rate.
3. Quota level.
4. Orderly marketing arrangements.

***
1. Quota
2. Increased tariffs.
3. Tariff rate quota
4. Orderly marketing arrangements

***
Quota level: support 90,000 ton quota over 5 years

***
1. Quota level
2. Tariff rate quota level
3. Increased tariff rate
4. Orderly marketing arrangements

***
Quota level: 90,000
Increased tariff rate: 50%

***
1. Quota level
2. Increased tariff rate
3. Tariff rate quota level

***
No order but had 90,000 tons for quota level

***
1. Quota level: Roll back to average of 2000-2003
2. Increased tariff rate: 18% - 20%
3. Tariff rate quota level: 20% - Specific tonnage average 2000-200
4. Orderly marketing arrangements
5. Other: Set specific tonnage per quarter by region of the country

***
Quota level: 90,000 ton quota

Respondent CCCMC argues that indicators of injury to the domestic industry in this investigation are "extraordinarily weak," but if the Commission makes an affirmative determination of market disruption, respondent argues that the remedy imposed should be minimal. CCCMC suggests that a 365,000-ton quota (the import volume during the last 12 months of the period of investigation), for a maximum of three years with five percent growth during the period would be appropriate under the circumstances.[2]

[2] Hearing transcript, pp. 299-300 (Barringer).

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA–421–06]

Circular Welded Non-Alloy Steel Pipe From China

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of an investigation under section 421(b) of the Trade Act of 1974 (19 U.S.C. 2451(b)) (the Act).

SUMMARY: Following receipt of a petition filed on August 2, 2005, on behalf of Allied Tube and Conduit Corp., Harvey, IL; IPSCO Tubulars, Inc., Camanche, IA; Maruichi American Corp., Santa Fe Springs, CA; Maverick Tube Corp., Chesterfield, MO; Sharon Tube Co., Sharon, PA; Western Tube Conduit Corp., Long Beach, CA; Wheatland Tube Co., Wheatland, PA; and the United Steelworkers of America, AFL–CIO, Pittsburgh, PA; the Commission instituted investigation No. TA–421–06, *Circular Welded Non-Alloy Steel Pipe From China*, under section 421(b) of the Act to determine whether circular welded non-alloy steel pipe [1] from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 206, subparts A and E (19 CFR part 206).

DATES: Effective August 2, 2005.

FOR FURTHER INFORMATION CONTACT: Fred Ruggles (202–205–3187 or via E-mail, *fred.ruggles@usitc.gov*), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION:

Participation in the investigation and service list.—Persons wishing to participate in the investigation 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, not later than seven days after publication of this notice in the **Federal Register**. The Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of

[1] For purposes of this investigation, the subject product includes certain welded carbon quality steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.

All pipe meeting the physical description set forth above that is used in, or intended for use in, standard and structural pipe applications is covered by the scope of this investigation. Standard pipe 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 sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, such as conduit shells. Structural pipe is used in construction applications.

The imported products are currently provided for in the Harmonized Tariff Schedule of the United States (HTS) subheadings 7306.30.10 and 7306.30.50. Specifically, the various HTS statistical reporting numbers under which the subject standard pipe has been provided for since January 1, 1992, are as follows: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTS category is provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Pipe multiple-stenciled to the ASTM A–53 specification and to any other specification, such as the API-fL or 5L X–42 specifications, or single-certified pipe that enters under HTS subheading 7306.10.10, is covered by this investigation when used in, or intended for use in, one of the standard pipe applications listed above, regardless of the HTS category in which it is entered. Pipe shells that enter the United States under HTS subheading 7306.30.50, including HTS statistical reporting number 7306.30.5028, are also covered by this investigation. The investigation also covers pipe used for the production of scaffolding (but does not include finished scaffolding).

Products not included in this investigation are mechanical tubing (whether or not cold-drawn) provided for in HTS subheading 7306.30.50, tube and pipe hollows for redrawing provided for in HTS 7306.30.5035, or finished electrical conduit provided for in HTS 7306.30.5028. API line pipe used in oil or gas applications requiring API certifications is also not included in this investigation. Similarly, pipe produced to the API specifications for oil country tubular goods use are not included in this investigation.

the period for filing entries of appearance.

Limited disclosure of confidential business information (''CBI'') under an administrative protective order (''APO'') and CBI service list.—Pursuant to section 206.47 of the Commission's rules, the Secretary will make CBI gathered in this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive CBI under the APO.

Hearing.—The Commission has scheduled a hearing in connection with this investigation beginning at 9:30 a.m. on September 16, 2005, at the U.S. International Trade Commission Building. Subjects related to both market disruption or threat thereof and remedy may be addressed at the hearing. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before September 7, 2005. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on September 9 at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the hearing are governed by sections 201.6(b)(2) and 201.13(f) of the Commission's rules.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is September 9, 2005. Parties may also file posthearing briefs. The deadline for filing posthearing briefs is September 21, 2005. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the consideration of market disruption or threat thereof and/or remedy on or before September 29, 2005. Parties may submit final comments on market disruption on September 29, 2005 and on remedy on October 4, 2005. Final comments shall contain no more than ten (10) double-spaced and single-sided pages of textual material. All written submissions must conform with the provisions of section 201.8 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, will 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.

Any submissions that contain CBI must also conform with the requirements of section 201.6 of the Commission's rules. CBI that is furnished in written submissions (1) may be subject to, and may be released under an administrative protective order issued by the Commission pursuant to section 206.47 of the Commission's Rules of Practice and Procedure; (2) may be included in a confidential version of the report that the Commission transmits to the President and the U.S. Trade Representative, should the Commission transmit a confidential version; and (3) may also be used in any other import injury investigations conducted by the Commission on the same, or similar, subject matter.

In accordance with section 201.16(c) of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the 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.

Remedy.—Parties are reminded that no separate hearing on the issue of remedy will be held. Those parties wishing to present arguments on the issue of remedy may do so orally at the hearing or in their prehearing briefs, posthearing briefs, or final comments on remedy.

Authority: This investigation is being conducted under the authority of section 421 of the Trade Act of 1974; this notice is published pursuant to section 206.3 of the Commission's rules.

Issued: August 4, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–15773 Filed 8–9–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA–421–6]

Circular Welded Non-Alloy Steel Pipe From China

Determination

On the basis of information developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 421(b)(1) of the Trade Act of 1974,[1] that circular welded non-alloy steel pipe [2] from the People's Republic of China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.[3]

Background

Following receipt of a petition, on August 2, 2005, on behalf of Allied Tube and Conduit Corp., Harvey, IL; IPSCO Tubulars, Inc., Camanche, IA; Maruichi American Corp., Santa Fe Springs, CA; Maverick Tube Corp., Chesterfield, MO; Sharon Tube Co., Sharon, PA; Western Tube Conduit Corp., Long Beach, CA; Wheatland Tube Co., Wheatland, PA.; and the United Steelworkers of America, AFL–CIO, Pittsburgh, PA; the Commission instituted investigation No. TA–421–06, Circular Welded Non-Alloy Steel Pipe from China, under section 421(b) of the Act to determine whether circular welded non-alloy steel pipe

[1] 19 U.S.C. 2451(b)(1).

[2] The products subject to this investigation include certain welded carbon quality steel pipes and tubes, of circular cross-section, with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), regardless of wall thickness, surface finish (black, galvanized, or painted), end finish (plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as structural or mechanical tubing). The term carbon quality steel may include certain low alloy steel imported as other alloy steel pipes and tubes.

All pipe meeting the physical description set forth above that is used in, or intended for use in, standard and structural pipe applications is covered by the scope of this investigation. Standard pipe 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 sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing and mechanical applications, such as for fence tubing, and as an intermediate product for protection of electrical wiring, such as conduit shells. Structural pipe is used in construction applications.

Products not included in this investigation are mechanical tubing (whether or not cold-drawn) provided for in HTS subheading 7306.30.50, tube and pipe hollows for redrawing provided for in HTS 7306.30.5035, or finished electrical conduit provided for in HTS 7306.30.5028. API line pipe used in oil or gas applications requiring API certifications is also not included in this investigation. Similarly, pipe produced to the API specifications for oil country tubular goods use are not included in this investigation.

The subject imported products are currently provided for in the Harmonized Tariff Schedule of the United States (HTS) subheadings 7306.30.10 and 7306.30.50. Specifically, the various HTS statistical reporting numbers under which the subject standard pipe has been provided for since January 1, 1992, are as follows: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTS category is provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

Pipe multiple-stenciled to the ASTM A–53 specification and to any other specification, such as the API-fL or 5L X–42 specifications, or single-certified pipe that enters under HTS subheading 7306.10.10, is covered by this investigation when used in, or intended for use in, one of the standard pipe applications listed above, regardless of the HTS category in which it is entered. Pipe shells that enter the United States under HTS subheading 7306.30.50, including HTS statistical reporting number 7306.30.5028, are also covered by this investigation. The investigation also covers pipe used for the production of scaffolding (but does not include finished scaffolding).

[3] Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson make a negative determination.

from China is being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

Notice of the institution of the Commission's investigation and of the scheduling of a public hearing to be held in connection therewith was given by posting a copy of the notice on the Commission's Web site (*http://www.usitc.gov*) and by publishing the notice in the **Federal Register** of August 10, 2005 (70 FR 46543). The hearing was held on September 16, 2005 in Washington, DC; all persons who requested the opportunity were permitted to appear in person or by counsel.

By order of the Commission.

Dated: October 3, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–20206 Filed 10–6–05; 8:45 am]

BILLING CODE 7020–02–P

APPENDIX B

HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	Circular Welded Non-Alloy Steel Pipe from China
Inv. No:	TA-421-6
Date and Time:	September 16, 2005 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (Room 101), 500 E Street, SW, Washington, D.C.

CONGRESSIONAL APPEARANCES:

The Honorable Arlen Specter, United States Senator, Pennsylvania

The Honorable Blanche L. Lincoln, United States Senator, Arkansas

The Honorable Phil English, U.S. Congressman, 3rd District, Pennsylvania

The Honorable Marion Berry, U.S. Congressman, 1st District, Arkansas

The Honorable Melissa A. Hart, U.S. Congresswoman, 4th District, Pennsylvania

The Honorable Tim Ryan, U.S. Congressman, 17th District, Ohio

STATE GOVERNMENT APPEARANCES:

The Honorable Michael C. Gruitza, State Representative, 7th District, Pennsylvania

The Honorable Marvin Childers, State Representative, 77th District, Arkansas

The Honorable Brian Beader, Chairman, Mercer County Commissioners, Pennsylvania

The Honorable Steve McGuire, County Judge, Mississippi County, Arkansas

In Support of Relief:

Schagrin Associates
Washington, D.C.
on behalf of

Allied Tube and Conduit Corp.
Will Boggs, Vice President, Fire Protection & Fence

IPSCO Tubulars, Inc.
Scott Barnes, Vice President, Commercial

Maruichi American Corp.

Maverick Tube Corp.
Paul Vivian, Marketing Manager, Energy Products,
Neal Lux, Marketing Manager, Line and Standard Pipe

Sharon Tube Co.
William Perrine, President and CEO

Western Tube and Conduit Corp.
Goro Terao, President and CEO
Don Finn, Vice President, Sales

Wheatland Tube Co.
Peter Dooner, President
Mark Magno, Vice President, Sales and Marketing

The United Steelworkers
Tom Conway, International Vice President

Donald Strittmatter, President, Ideal Supply
Tim Miller, Vice President, Supply Chain Management, Master Halco
John Thompson, Director, Planning & Procurement, Merchant Metals Division of MMI
Harry Page, President and CEO, Wheeling Pittsburgh Steel Corp.
Pat Tatom, President, WCI Steel
John Nolan, Vice President, Sales and Marketing, Steel Dynamics, Inc.
Sam Commella, Vice President and General Manager, Nucor Steel Arkansas
Robert Blecker, Economist, Schagrin Associates; *and* Professor of Economics, American University

Roger B. Schagrin) – OF COUNSEL

In Opposition to Relief:

Willkie Farr & Gallagher LLP
Washington, D.C.
on behalf of

CCCMC
Certain Chinese Producers

Thomas J. Prusa, Economist, Rutgers University

William H. Barringer)
Daniel L. Porter) – OF COUNSEL
Matthew P. McCullough)

Vorys, Sater, Seymour and Pease LLP
Washington, D.C.
on behalf of

MAN Ferrostaal, Inc.
Jerry Coibion, Sales Manager

Frederick P. Waite)
Kimberly R. Young) – OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Circular welded non-alloy steel pipe: Summary data concerning the U.S. market, 2000-04, January-June 2004, and January-June 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data							Period changes					
						January-June							Jan.-June
Item	2000	2001	2002	2003	2004	2004	2005	2000-04	2000-01	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:													
Amount	2,566,352	2,292,569	2,213,696	2,078,160	2,432,259	1,288,509	1,117,722	-5.2	-10.7	-3.4	-6.1	17.0	-13.3
Producers' share (1)	57.6	59.1	60.0	61.5	56.4	62.0	51.6	-1.2	1.5	0.9	1.5	-5.2	-10.4
Importers' share (1):													
China	6.4	6.8	0.5	4.4	11.0	6.8	16.6	4.6	0.5	-6.4	4.0	6.6	9.7
All other sources	36.1	34.1	39.6	34.0	32.7	31.2	31.9	-3.4	-2.0	5.5	-5.5	-1.4	0.7
Total imports	42.4	40.9	40.0	38.5	43.6	38.0	48.4	1.2	-1.5	-0.9	-1.5	5.2	10.4
U.S. consumption value:													
Amount	1,406,380	1,154,122	1,152,731	1,162,597	1,819,421	862,842	1,010,758	29.4	-17.9	-0.1	0.9	56.5	17.1
Producers' share (1)	62.1	64.0	63.6	64.7	60.1	65.4	57.7	-1.9	1.9	-0.4	1.1	-4.5	-7.7
Importers' share (1):													
China	4.8	5.4	0.5	3.6	8.5	5.2	12.0	3.6	0.6	-4.9	3.1	4.9	6.8
All other sources	33.1	30.6	35.9	31.7	31.4	29.5	30.4	-1.7	-2.5	5.3	-4.2	-0.3	0.9
Total imports	37.9	36.0	36.4	35.3	39.9	34.6	42.3	1.9	-1.9	0.4	-1.1	4.5	7.7
U.S. imports from:													
China:													
Quantity	163,866	157,035	10,114	92,316	267,468	87,890	185,019	63.2	-4.2	-93.6	812.8	189.7	110.5
Value	68,179	62,766	6,029	41,772	153,937	44,499	120,821	125.8	-7.9	-90.4	592.8	268.5	171.5
Unit value	$416	$400	$596	$452	$576	$506	$653	38.3	-3.9	49.2	-24.1	27.2	29.0
Ending inventory quantity	3,253	3,430	2,803	7,256	17,532	7,415	14,339	438.9	5.4	-18.3	158.9	141.6	93.4
All other sources:													
Quantity	925,415	780,953	875,595	707,535	794,202	401,635	356,125	-14.2	-15.6	12.1	-19.2	12.2	-11.3
Value	465,088	352,603	413,653	368,940	571,141	254,301	307,053	22.8	-24.2	17.3	-10.8	54.8	20.7
Unit value	$503	$452	$472	$521	$719	$633	$862	43.1	-10.2	4.6	10.4	37.9	36.2
Ending inventory quantity	12,129	9,990	10,575	4,642	9,147	17,692	12,730	-24.6	-17.6	5.9	-56.1	97.0	-28.0
All sources:													
Quantity	1,089,281	937,988	885,709	799,851	1,061,670	489,525	541,143	-2.5	-13.9	-5.6	-9.7	32.7	10.5
Value	533,267	415,369	419,683	410,712	725,078	298,800	427,874	36.0	-22.1	1.0	-2.1	76.5	43.2
Unit value	$490	$443	$474	$513	$683	$610	$791	39.5	-9.5	7.0	8.4	33.0	29.5
Ending inventory quantity	15,382	13,420	13,378	11,898	26,679	25,107	27,069	73.4	-12.8	-0.3	-11.1	124.2	7.8
U.S. producers':													
Average capacity quantity	2,586,007	2,347,822	2,392,279	2,624,232	2,538,957	1,374,917	1,308,025	-1.8	-9.2	1.9	9.7	-3.2	-4.9
Production quantity	1,520,350	1,351,999	1,401,898	1,278,666	1,417,128	820,237	587,367	-6.8	-11.1	3.7	-8.8	10.8	-28.4
Capacity utilization (1)	58.8	57.6	58.6	48.7	55.8	59.7	44.9	-3.0	-1.2	1.0	-9.9	7.1	-14.8
U.S. shipments:													
Quantity	1,477,071	1,354,581	1,327,987	1,278,309	1,370,589	798,984	576,579	-7.2	-8.3	-2.0	-3.7	7.2	-27.8
Value	873,113	738,753	733,048	751,885	1,094,343	564,042	582,884	25.3	-15.4	-0.8	2.6	45.5	3.3
Unit value	$591	$545	$552	$588	$798	$706	$1,011	35.1	-7.7	1.2	6.6	35.7	43.2
Export shipments:													
Quantity	37,980	27,609	42,288	36,134	38,556	23,043	13,081	1.5	-27.3	53.2	-14.6	6.7	-43.2
Value	22,779	17,339	25,158	24,067	33,445	18,593	13,515	46.8	-23.9	45.1	-4.3	39.0	-27.3
Unit value	$600	$628	$595	$666	$867	$807	$1,033	44.6	4.7	-5.3	12.0	30.2	28.0
Ending inventory quantity	228,801	204,935	203,808	203,520	178,285	168,641	175,111	-22.1	-10.4	-0.5	-0.1	-12.4	3.8
Inventories/total shipments (1)	15.1	14.8	14.9	15.5	12.7	10.3	14.8	-2.4	-0.3	0.0	0.6	-2.8	4.6
Production workers	2,434	2,283	2,378	2,074	2,304	2,451	2,051	-5.3	-6.2	4.1	-12.8	11.1	-16.3
Hours worked (1,000s)	5,021	4,611	4,986	4,552	4,560	2,446	1,944	-9.2	-8.2	8.1	-8.7	0.2	-20.5
Wages paid ($1,000s)	84,614	79,696	94,685	81,688	87,463	47,315	38,676	3.4	-5.8	18.8	-13.7	7.1	-18.3
Hourly wages	$16.85	$17.28	$18.99	$17.95	$19.18	$19.35	$19.90	13.8	2.6	9.9	-5.5	6.9	2.8
Productivity (tons/1,000 hours)	302.5	293.2	281.1	280.9	310.8	335.4	302.2	2.7	-3.1	-4.1	-0.1	10.6	-9.9
Unit labor costs	$55.71	$58.95	$67.54	$63.89	$61.72	$57.68	$65.85	10.8	5.8	14.6	-5.4	-3.4	14.1
Net sales:													
Quantity	1,711,964	1,630,292	1,368,459	1,279,662	1,404,727	826,121	588,619	-17.9	-4.8	-16.1	-6.5	9.8	-28.7
Value	980,524	893,988	754,016	750,987	1,138,873	615,130	593,393	16.1	-8.8	-15.7	-0.4	51.7	-3.5
Unit value	$573	$548	$551	$587	$811	$745	$1,008	41.6	-4.3	0.5	6.5	38.1	35.4
Cost of goods sold (COGS)	833,050	767,766	627,334	670,711	924,960	467,277	518,849	11.0	-7.8	-18.3	6.9	37.9	11.0
Gross profit or (loss)	147,474	126,222	126,682	80,276	213,913	147,853	74,544	45.1	-14.4	0.4	-36.6	166.5	-49.6
SG&A expenses	74,284	81,511	58,999	55,119	81,030	42,004	34,492	9.1	9.7	-27.6	-6.6	47.0	-17.9
Operating income or (loss)	73,190	44,711	67,683	25,157	132,883	105,849	40,052	81.6	-38.9	51.4	-62.8	428.2	-62.2
Capital expenditures	25,047	65,312	64,517	34,724	25,730	10,268	12,456	2.7	160.8	-1.2	-46.2	-25.9	21.3
Unit COGS	$487	$471	$458	$524	$658	$566	$881	35.3	-3.2	-2.7	14.3	25.6	55.8
Unit SG&A expenses	$43	$50	$43	$43	$58	$51	$59	32.9	15.2	-13.8	-0.1	33.9	15.2
Unit operating income or (loss)	$43	$27	$49	$20	$95	$128	$68	121.3	-35.9	80.3	-60.3	381.2	-46.9
COGS/sales (1)	85.0	85.9	83.2	89.3	81.2	76.0	87.4	-3.7	0.9	-2.7	6.1	-8.1	11.5
Operating income or (loss)/ sales (1)	7.5	5.0	9.0	3.3	11.7	17.2	6.7	4.2	-2.5	4.0	-5.6	8.3	-10.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

APPENDIX D

AVAILABLE INFORMATION RELATING TO CATEGORIES OF PRODUCTS BY CERTIFICATIONS AND GRADES

Available Information Regarding Certifications and Grades

Respondent CCCMC argues that competition between the domestic product and imports from China is attenuated because the "vast majority of Chinese pipe imported into the United States is the lower quality Grade A product."[1] Petitioners argue that there is "direct competition and substitution of subject imports for all domestic production in virtually all applications."[2]

The primary differences between A-53 Grade A standard pipe and Grade B standard pipe relate to differences in chemical composition, yield strengths, and tensile requirements. A-53 Grade B standard pipe may contain slightly more carbon and manganese (by percentage of total weight) than A-53 Grade A standard pipe, making the pipe slightly stronger. Likewise, given lesser amounts of carbon and manganese in Grade A pipe, Grade A pipe is generally more formable than Grade B standard pipe. Grade B pipe is hydrostatically tested at a higher pressure than is Grade A.

Besides differences in chemical components and strength requirements, the main difference is in the production process. The continuous-weld process is limited to the production of Grade A, whereas the ERW process may be used to produce either Grade A or Grade B.

Despite Grade B pipe having higher yield strengths and tensile requirements than Grade A pipe, an industry analyst indicated that there is little difference in end use applications given these differences in requirements. In addition, the argument that Chinese standard pipe is lower quality Grade A pipe compared to the higher-end Grade B pipe reportedly isn't necessarily a question of product differentiation, but rather of the production process used by the Chinese producers.[3]

The Commission requested and received information from U.S. and foreign producers, and U.S. importers regarding their production/imports and shipments of circular welded non-alloy steel pipe by certifications and grades is presented in tables D-1-D-3.

U.S. Producers' Data

During 2000-04, U.S. producers' production and U.S. shipments of all circular welded non-alloy steel pipe, including both ASTM and non-ASTM specs, increased by 4 to 5 percent; however production and shipments during the January-June 2005 period decreased 25 to 28 percent compared to the same period the previous year. U.S. producers reported producing primarily circular welded non-alloy steel pipe to ASTM specifications other than ASTM A53 Grades A and B. During the period of investigation, U.S. producers consistently produced more A53 Grade B pipe than A53 Grade A pipe. U. S. shipments of circular welded non-alloy steel pipe were primarily those of pipe made to specifications other than ASTM.

Average unit values of all circular welded non-alloy steel pipe as reported by U.S. producers decreased to a low of $601 in 2002 before rebounding to $853 in 2004. Average unit values of A53 Grade B pipe are consistently lower than those of A53 Grade A pipe throughout the period of investigation.

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[1] CCCMC's prehearing brief, p. 25.

[2] Petitioners' posthearing brief, p. 16.

[3] Staff telephone interview with ***, September 13, 2005.

Table D-1
Circular welded non-alloy steel pipe: U.S. producers' production, U.S. shipments, and shares, by selected specifications, 2000-04, January-June 2004, and January-June 2005

(*Quantity* in short tons, *value* in $1,000, unit value per ton)							
Item	**Calendar years**					**January-June**	
	2000	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
PRODUCTION (*quantity*)--							
Non-ASTM	169,147	165,361	200,220	159,221	164,931	86,182	64,529
ASTM:							
A53 Grade A	***	***	***	***	***	***	***
A53 Grade B	314,483	289,437	316,183	310,622	387,147	244,682	143,923
Other ASTM	***	***	***	***	***	***	***
Total	1,367,894	1,256,257	1,401,898	1,278,674	1,417,128	820,237	587,367
U.S. SHIPMENTS--							
Non-ASTM:							
Quantity of shipments	104,437	105,283	132,255	104,920	117,423	61,712	49,122
Value of shipments	62,000	59,261	74,616	67,435	86,361	42,540	46,806
Unit value	$594	$563	$564	$643	$735	$689	$953
ASTM:							
Grade A:							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Grade B:							
Quantity of shipments	312,810	292,467	295,697	313,950	374,538	231,962	136,958
Value of shipments	142,794	119,940	125,952	143,653	264,078	145,810	124,164
Unit value	$457	$410	$426	$458	$705	$629	$907
Other ASTM:							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Total							
Quantity	1,257,571	1,168,854	1,258,311	1,220,451	1,314,360	769,420	553,819
Value	749,586	643,730	703,944	728,333	1,069,748	553,680	565,531
Unit value	$656	$614	$601	$619	$853	$760	$1,040

Table continued on next page.

Table D-1--*Continued*
Circular welded non-alloy steel pipe: U.S. producers' production, U.S. shipments, and shares, by selected specifications, 2000-04, January-June 2004, and January-June 2005

Shares (*in percent*)							
Item	**Calendar years**					**January-June**	
	2000	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
PRODUCTION --							
Non-ASTM	12.4	13.2	14.0	12.0	12.0	11.0	11.0
ASTM:							
A53 Grade A	***	***	***	***	***	***	***
A53 Grade B	23.0	23.0	23.0	24.0	27.0	30.0	25.0
Other ASTM	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
U.S. SHIPMENTS--							
Non-ASTM:							
Quantity	8.3	9.0	11.0	9.0	9.0	8.0	9.0
Value	8.3	9.2	11.0	9.0	8.0	8.0	8.0
ASTM:							
Grade A:							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Grade B:							
Quantity	24.9	25.0	23.0	26.0	28.0	30.0	25.0
Value	19.1	18.6	18.0	20.0	25.0	26.0	22.0
Other ASTM:							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Total							
Quantity	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Value	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table D-2
Circular welded non-alloy steel pipe: U.S. importers' imports, U.S. shipments of imports, and shares of product from China, by selected specifications, 2000-04, January-June 2004, and January-June 2005

(*Quantity* in short tons, *value* in $1,000, unit value per ton)							
Item	Calendar years					January-June	
	2000	2001	2002	2003	2004	2004	2005
IMPORTS (*quantity*)--							
Non-ASTM	5,080	2,892	4,572	9,726	13,102	7,779	13,838
ASTM:							
A53 Grade A	90,341	87,925	7,804	56,603	167,947	76,440	104,088
A53 Grade B [1]	***	***	***	***	***	***	***
Other ASTM	***	***	***	***	***	***	***
Total	105,776	102,402	15,918	71,557	202,997	88,528	139,818
U.S. SHIPMENTS OF IMPORTS--							
Non-ASTM:							
Quantity of shipments	4,971	3,186	4,472	9,375	12,503	8,219	15,031
Value of shipments	3,736	3,552	4,795	7,697	10,350	6,530	11,237
Unit value	$752	$1,115	$1,072	$821	$828	$795	$748
ASTM:							
Grade A:							
Quantity of shipments	88,607	87,501	8,632	54,340	156,789	75,428	104,524
Value of shipments	39,017	36,946	4,328	26,346	135,655	42,898	70,939
Unit value	$440	$422	$501	$485	$865	$569	$679
Grade B:[1]							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Other ASTM:							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Total							
Quantity	104,184	102,854	16,899	70,021	197,527	88,551	142,934
Value	47,787	45,996	10,983	37,275	164,476	52,338	103,074
Unit value	$459	$447	$650	$532	$833	$591	$721

Table continued on next page.

Table D-2--*Continued*
Circular welded non-alloy steel pipe: U.S. importers' imports, U.S. shipments of imports, and shares of product from China, by selected specifications, 2000-04, January-June 2004, and January-June 2005

Shares (*in percent*)							
Item	Calendar years					January-June	
	2000	2001	2002	2003	2004	2004	2005
IMPORTS--							
Non-ASTM	4.8	2.8	29.0	14.0	6.0	9.0	10.0
ASTM:							
A53 Grade A	85.4	85.9	49.0	79.0	83.0	86.0	74.0
A53 Grade B [1]	***	***	***	***	***	***	***
Other ASTM	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
U.S. SHIPMENTS OF IMPORTS--							
Non-ASTM:							
Quantity	4.8	3.1	26.5	13.4	6.3	9.3	10.5
Value	7.8	7.7	43.7	20.7	6.3	12.5	10.9
ASTM:							
Grade A:							
Quantity	85.0	85.1	51.0	78.0	79.0	85.0	73.0
Value	81.6	80.3	39.0	71.0	82.0	82.0	69.0
Grade B:[1]							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Other ASTM:							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Total							
Quantity	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Value	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Importers' data regarding imports and shipments of Grade B are not comparable with data submitted by manufacturers/exporters in China (table D-3) because importers did not report dual-stenciled line pipe imports from China as standard pipe (e-mail from ***, September 25, 2005), whereas the foreign manufacturers/exporters did.

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

Table D-3
Circular welded non-alloy steel pipe: Chinese producers' production, exports to the United States, and shares, by selected specifications, 2000-04, January-June 2004, and January-June 2005

(*Quantity* in short tons, *value* in $1,000, unit value per ton)							
Item	**Calendar years**					**January-June**	
	2000	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
PRODUCTION (*quantity*)							
Non-ASTM	***						
ASTM:							
A53 Grade A	409,260	381,372	388,527	495,813	577,371	291,688	291,022
A53 Grade B [1]	***	***	***	***	***	***	***
Other ASTM:	***	***	***	***	***	***	***
Total	806,031	791,044	832,494	1,039,467	1,274,234	625,270	666,510
EXPORTS TO THE UNITED STATES--							
Non-ASTM:							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
ASTM:							
Grade A:							
Quantity of shipments	99,039	64,662	21,662	89,317	189,078	82,450	95,768
Value of shipments	64,347	46,374	18,461	47,858	117,872	48,908	58,837
Unit value	$650	$717	$852	$536	$623	$593	$614
Grade B:[1]							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Other ASTM:							
Quantity of shipments	***	***	***	***	***	***	***
Value of shipments	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	$***	$***
Total							
Quantity	145,373	102,098	40,839	123,787	243,063	91,792	149,944
Value	81,619	57,485	24,077	58,808	146,696	54,313	91,586
Unit value	$561	$563	$590	$475	$604	$592	$611

Table continued on next page.

Table D-3--*Continued*
Circular welded non-alloy steel pipe: Chinese producers' production, exports to the United States, and shares, by selected specifications, 2000-04, January-June 2004, and January-June 2005

Shares (*in percent*)							
Item	Calendar years					January-June	
	2000	2001	2002	2003	2004	2004	2005
PRODUCTION--							
Non-ASTM	***	***	***	***	***	***	***
ASTM:							
A53 Grade A	50.8	48.2	47.0	48.0	45.0	47.0	44.0
A53 Grade B [1]	***	***	***	***	***	***	***
Other ASTM:	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EXPORTS TO THE UNITED STATES--							
Non-ASTM:							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
ASTM:							
Grade A:							
Quantity	68.1	63.3	53.0	72.0	78.0	90.0	64.0
Value	78.8	80.7	77.0	81.0	80.0	90.0	64.0
Grade B:[1]							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Other ASTM:							
Quantity	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***
Total							
Quantity	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Value	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Data from manufacturers/exporters in China regarding exports of Grade B are not comparable with data submitted by import data submitted by U.S. importers (table D-2) because foreign manufacturers/exporters reported dual-stenciled line pipe imports from China as standard pipe, whereas U.S. importers did not.
[2] Not applicable.

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

U.S. Importers' and Foreign Producers' Data

U.S. importers and foreign producers in China reported importing/exporting primarily A53 Grade A standard pipe, which accounted for between 64 and 90 percent of total imports/exports of circular welded non-alloy steel pipe from China during the period of investigation. Average unit values of circular welded non-alloy steel pipe made to specifications other than ASTM were highest compared to the average unit values of imports of A53 Grade A and Grade B standard pipe, and average unit values of A53 Grade B standard pipe were consistently higher that those of A53 Grade A standard pipe for the period. The margin of average unit values between A53 Grade A and Grade B has increased from $39 during January-June 2004 to $229 during January-June 2005. Overall, average unit values for all imports of circular welded non-alloy steel pipe have increased considerably during the period of investigation.

During 2000-04, Chinese producers reported increasing production of circular welded non-alloy steel pipe made to both ASTM and non-ASTM specifications. Overall, total production of circular welded non-alloy steel pipe increased 58 percent to approximately 1.3 million short tons in 2002. Chinese producers reported that A53 Grade A standard pipe accounted for between 45 and 50 percent of their production share during the period of investigation.

Chinese producers primarily exported ASTM A53 Grade A standard pipe to the United States during 2000-04. A53 Grade A standard pipe accounted for between 55 and 92 percent of exports of circular welded non-alloy steel pipe to the United States in terms of quantity, and between 78 and 92 percent in value. Average unit values of all circular welded non-alloy steel pipe exported to the United States fluctuated widely under the period. Average unit values of A53 Grade A standard pipe were consistently higher than those of A53 Grade B standard pipe.

APPENDIX E

IMPORT STATISTICS DETAIL

Table E-1
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005

Item	2000	2001	2002	2003	2004	January-June 2004	January-June 2005	2000-04	2000-01	2001-02	2002-03	2003-04	Jan.-June 2004-05
	Quantity (short tons)							Period changes (percent)					
China	163,866	157,035	10,114	92,316	267,468	87,890	185,019	63.2	-4.2	-93.6	812.8	189.7	110.5
AD/CVD sources:													
Korea	242,115	218,962	184,367	52,088	49,670	20,443	22,465	-79.5	-9.6	-15.8	-71.7	-4.6	9.9
Taiwan	52,849	48,977	58,697	17,401	40,713	18,230	10,373	-23.0	-7.3	19.8	-70.4	134.0	-43.1
Thailand	97,669	62,486	89,170	65,787	65,787	28,041	34,540	-32.6	-36.0	42.7	-26.2	-0.0	23.2
Subtotal	392,633	330,424	332,234	135,276	156,169	66,714	67,377	-60.2	-15.8	0.5	-59.3	15.4	1.0
Argentina (exempt 201)	6,861	2,679	9,060	17,405	5,745	5,102	1,179	-16.3	-60.9	238.2	92.1	-67.0	-76.9
Brazil (exempt 201)	30	0	36	539	1,428	1,280	1,525	4607.7	-100.0	(1)	1411.4	165.2	19.1
India (exempt 201)	29,009	24,330	79,218	62,776	81,515	44,707	18,175	181.0	-16.1	225.6	-20.8	29.9	-59.3
Mexico (exempt 201)	29,254	38,112	45,591	64,400	46,450	25,477	29,653	58.8	30.3	19.6	41.3	-27.9	16.4
Turkey (exempt 201)	23,704	25,409	55,024	65,782	88,098	54,414	19,077	271.7	7.2	116.6	19.6	33.9	-64.9
Subtotal	88,858	90,530	188,928	210,902	223,235	130,981	69,610	151.2	1.9	108.7	11.6	5.8	-46.9
Subtotal AD/CVD	481,490	420,955	521,163	346,177	379,405	197,695	136,988	-21.2	-12.6	23.8	-33.6	9.6	-30.7
Covered 201:													
Algeria	30	0	0	0	0	0	44	-100.0	-100.0	(1)	(1)	(1)	(1)
Australia	434	1,654	53	16	199	71	67	-54.1	281.0	-96.8	-69.5	1123.7	-5.1
Austria	147	259	260	485	305	156	161	107.7	76.5	0.5	86.1	-37.1	3.0
Belgium	3,641	63	22	0	59	23	6	-98.4	-98.3	-65.6	-100.0	(1)	-74.8
Denmark	108	96	66	74	108	87	20	0.4	-11.4	-31.4	12.6	46.8	-76.7
Finland	0	0	17	0	0	0	0	(1)	(1)	(1)	-100.0	(1)	(1)
France	220	35	260	43	16	15	35	-92.9	-84.0	637.2	-83.5	-63.7	132.0
Germany	7,625	3,804	2,161	1,041	1,058	633	898	-86.1	-50.1	-43.2	-51.8	1.7	41.7
Hong Kong	0	9	0	0	23	21	1,654	(1)	(1)	-100.0	(1)	(1)	7798.3
Ireland	0	0	0	0	0	0	36	(1)	(1)	(1)	(1)	(1)	(1)
Italy	365	701	536	891	1,993	809	865	445.7	92.0	-23.6	66.4	123.5	6.9
Japan	32,776	35,066	36,673	15,329	19,690	11,154	9,918	-39.9	7.0	4.6	-58.2	28.4	-11.1
Malaysia	39,420	8,986	1,208	535	3,306	654	0	-91.6	-77.2	-86.6	-55.7	517.6	-100.0
Netherlands	6,608	9,318	4,351	1,078	514	501	2	-92.2	41.0	-53.3	-75.2	-52.3	-99.7
New Zealand	264	0	0	0	0	0	0	-100.0	-100.0	(1)	(1)	(1)	(1)
Russia	151	0	21	0	0	0	13	-100.0	-100.0	(1)	-100.0	(1)	(1)
Saudi Arabia	0	193	17	0	92	92	0	(1)	(1)	-90.9	-100.0	(1)	-100.0
Spain	6,283	1,795	602	120	145	72	211	-97.7	-71.4	-66.5	-80.1	21.4	193.6
Sweden	288	82	146	342	126	5	513	-56.4	-71.6	78.1	134.4	-63.2	10785.1
Switzerland	133	181	19	175	1,039	268	800	682.2	36.1	-89.2	801.1	492.4	199.0
Ukraine	0	0	198	328	187	31	984	(1)	(1)	(1)	65.5	-42.9	3060.3
United Arab Emirates	2,033	5,375	7,362	2,868	12,457	3,287	6,179	512.7	164.4	37.0	-61.0	334.3	88.0
United Kingdom	45	548	620	10	30	14	4	-33.8	1118.3	13.2	-98.4	198.7	-67.9
Vietnam	0	56	171	0	0	0	0	(1)	(1)	204.8	-100.0	(1)	(1)
Subtotal	100,570	68,222	54,764	23,336	41,346	17,892	22,409	-58.9	-32.2	-19.7	-57.4	77.2	25.2
Exempt 201:													
Canada	229,888	182,712	183,801	207,612	191,519	111,665	129,427	-16.7	-20.5	0.6	13.0	-7.8	15.9
Chile	5,025	513	2,467	2,670	7,106	2,491	2,730	41.4	-89.8	380.9	8.2	166.2	9.6
Colombia	9,244	8,982	9,811	7,449	20,772	7,976	12,243	124.7	-2.8	9.2	-24.1	178.9	53.5
Costa Rica	0	0	0	0	0	0	47	(1)	(1)	(1)	(1)	(1)	(1)
Croatia	2,046	0	0	3,250	0	0	0	-100.0	-100.0	(1)	(1)	-100.0	(1)
Dominican Rep	0	0	57	2,097	2,161	820	1,903	(1)	(1)	(1)	3602.8	3.1	132.3
Ecuador	0	78	29	0	0	0	0	(1)	(1)	-62.6	-100.0	(1)	(1)
Egypt	7,609	2,290	1,708	0	0	0	0	-100.0	-69.9	-25.4	-100.0	(1)	(1)
Guatemala	3,332	6,396	6,287	7,054	11,123	4,488	2,272	233.9	92.0	-1.7	12.2	57.7	-49.4
Indonesia	23,563	23,378	19,115	21,365	4,215	2,375	1,685	-82.1	-0.8	-18.2	11.8	-80.3	-29.1
Israel	0	0	0	(2)	0	0	0	(1)	(1)	(1)	(1)	(1)	(1)
Macedonia	0	2,246	0	0	0	0	0	(1)	(1)	-100.0	(1)	(1)	(1)
Oman	4,553	10,126	13,433	16,669	32,791	13,866	8,915	620.2	122.4	32.7	24.1	96.7	-35.7
Pakistan	5,496	2,612	6,150	3,003	1,461	542	0	-73.4	-52.5	135.4	-51.2	-51.3	-100.0
Peru	1,069	1,074	2,377	2,924	1,347	70	0	26.0	0.5	121.3	23.0	-53.9	-100.0
Philippines	8,534	2,854	10,655	21,490	25,887	6,224	13,251	203.3	-66.6	273.4	101.7	20.5	112.9
Poland	0	0	0	0	30	30	0	(1)	(1)	(1)	(1)	(1)	-100.0
Romania	18,871	29,997	15,575	14,879	35,123	17,796	14,911	86.1	59.0	-48.1	-4.5	136.1	-16.2
Slovak Republic	0	0	0	0	0	0	1	(1)	(1)	(1)	(1)	(1)	(1)
South Africa	23,150	15,083	18,767	16,702	23,409	12,869	4,200	1.1	-34.8	24.4	-11.0	40.2	-67.4
Venezuela	370	3,435	9,437	10,859	16,509	4,834	5,141	4357.1	827.4	174.7	15.1	52.0	6.4
Zimbabwe	605	0	0	0	0	0	0	-100.0	-100.0	(1)	(1)	(1)	(1)
Subtotal	343,354	291,776	299,669	338,022	373,451	186,048	196,728	8.8	-15.0	2.7	12.8	10.5	5.7
Grand total	1,089,281	937,988	885,709	799,851	1,061,670	489,525	541,143	-2.5	-13.9	-5.6	-9.7	32.7	10.5

Table continued on next page.

Table E-1--Continued
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005

Item	2000	2001	2002	2003	2004	January-June 2004	January-June 2005	2000-04	2000-01	2001-02	2002-03	2003-04	Jan.-June 2004-05
	LDP value ($1,000)							Period changes (percent)					
China	68,179	62,766	6,029	41,772	153,937	44,499	120,821	125.8	-7.9	-90.4	592.8	268.5	171.5
AD/CVD sources:													
Korea	101,421	83,171	73,575	27,371	30,778	10,509	17,474	-69.7	-18.0	-11.5	-62.8	12.4	66.3
Taiwan	21,919	17,352	22,906	7,439	22,375	8,611	7,040	2.1	-20.8	32.0	-67.5	200.8	-18.2
Thailand	43,221	26,639	35,996	35,239	37,075	13,335	24,840	-14.2	-38.4	35.1	-2.1	5.2	86.3
Subtotal	166,561	127,162	132,477	70,049	90,228	32,455	49,355	-45.8	-23.7	4.2	-47.1	28.8	52.1
Argentina (exempt 201)	2,210	1,094	3,048	6,353	2,355	1,954	901	6.5	-50.5	178.7	108.4	-62.9	-53.9
Brazil (exempt 201)	62	0	59	306	969	752	1,346	1467.2	-100.0	(1)	423.2	216.3	78.9
India (exempt 201)	12,619	9,732	32,216	28,392	51,620	25,512	13,418	309.1	-22.9	231.0	-11.9	81.8	-47.4
Mexico (exempt 201)	16,882	15,360	21,077	30,330	42,102	18,948	28,950	149.4	-9.0	37.2	43.9	38.8	52.8
Turkey (exempt 201)	10,105	9,765	20,243	27,268	50,397	28,122	13,539	398.8	-3.4	107.3	34.7	84.8	-51.9
Subtotal	41,878	35,950	76,643	92,650	147,442	75,289	58,154	252.1	-14.2	113.2	20.9	59.1	-22.8
Subtotal AD/CVD	208,439	163,112	209,121	162,699	237,670	107,744	107,509	14.0	-21.7	28.2	-22.2	46.1	-0.2
Covered 201:													
Algeria	15	0	0	0	0	0	31	-100.0	-100.0	(1)	(1)	(1)	(1)
Australia	202	861	23	77	148	49	53	-26.9	326.3	-97.3	233.1	92.4	8.9
Austria	397	661	633	1,055	1,007	434	635	153.9	66.7	-4.3	66.8	-4.6	46.3
Belgium	1,252	64	30	0	89	43	12	-92.9	-94.9	-53.4	-100.0	(1)	-72.4
Denmark	108	143	105	225	280	157	104	160.2	32.7	-26.3	114.1	24.2	-34.1
Finland	0	0	25	0	0	0	0	(1)	(1)	(1)	-100.0	(1)	(1)
France	384	47	455	145	17	13	68	-95.6	-87.8	866.0	-68.1	-88.4	415.9
Germany	9,556	5,971	3,310	3,682	2,529	1,335	2,885	-73.5	-37.5	-44.6	11.3	-31.3	116.1
Hong Kong	0	4	0	0	24	15	1,012	(1)	(1)	-100.0	(1)	(1)	6465.0
Ireland	0	0	0	0	0	0	20	(1)	(1)	(1)	(1)	(1)	(1)
Italy	1,544	1,962	964	1,421	3,290	1,281	1,560	113.0	27.0	-50.9	47.4	131.6	21.8
Japan	33,572	28,360	31,177	15,578	17,607	8,246	14,419	-47.6	-15.5	9.9	-50.0	13.0	74.9
Malaysia	15,709	3,771	748	362	2,698	402	0	-82.8	-76.0	-80.2	-51.5	644.7	-100.0
Netherlands	4,349	5,013	2,854	1,262	353	336	7	-91.9	15.3	-43.1	-55.8	-72.0	-98.0
New Zealand	113	0	0	0	0	0	0	-100.0	-100.0	(1)	(1)	(1)	(1)
Russia	71	0	19	0	0	0	94	-100.0	-100.0	(1)	-100.0	(1)	(1)
Saudi Arabia	0	385	9	0	170	170	0	(1)	(1)	-97.8	-100.0	(1)	-100.0
Spain	2,812	652	368	205	412	204	384	-85.3	-76.8	-43.6	-44.2	101.1	88.4
Sweden	168	51	111	264	137	19	533	-18.4	-69.8	118.9	138.2	-48.2	2777.8
Switzerland	170	778	74	716	2,913	758	2,366	1615.9	358.0	-90.5	865.2	306.8	212.2
Ukraine	0	0	76	115	155	28	798	(1)	(1)	(1)	51.2	35.5	2792.7
United Arab Emirates	892	2,343	2,867	1,165	9,009	2,085	5,823	909.6	162.5	22.4	-59.4	673.3	179.3
United Kingdom	245	338	6,398	26	65	11	2	-73.6	38.0	1795.3	-99.6	144.2	-80.7
Vietnam	0	25	89	0	0	0	0	(1)	(1)	260.4	-100.0	(1)	(1)
Subtotal	71,559	51,428	50,332	26,299	40,902	15,586	30,807	-42.8	-28.1	-2.1	-47.7	55.5	97.7
Exempt 201:													
Canada	137,588	95,909	109,424	124,591	168,900	91,361	118,521	22.8	-30.3	14.1	13.9	35.6	29.7
Chile	2,705	365	1,250	1,490	4,105	1,201	2,021	51.7	-86.5	242.3	19.2	175.5	68.3
Colombia	3,175	3,858	4,974	3,402	25,688	6,004	11,051	708.9	21.5	28.9	-31.6	655.0	84.0
Costa Rica	0	0	0	0	0	0	36	(1)	(1)	(1)	(1)	(1)	(1)
Croatia	929	0	0	1,237	0	0	0	-100.0	-100.0	(1)	(1)	-100.0	(1)
Dominican Rep	0	0	28	905	1,624	569	1,086	(1)	(1)	(1)	3172.4	79.4	90.8
Ecuador	0	57	19	0	0	0	0	(1)	(1)	-66.0	-100.0	(1)	(1)
Egypt	2,130	606	536	0	0	0	0	-100.0	-71.5	-11.6	-100.0	(1)	(1)
Guatemala	1,494	4,555	3,978	3,353	9,985	3,360	1,858	568.4	204.9	-12.7	-15.7	197.8	-44.7
Indonesia	9,922	9,323	7,128	9,406	2,281	1,057	1,087	-77.0	-6.0	-23.5	32.0	-75.7	2.9
Israel	0	0	0	5	0	0	0	(1)	(1)	(1)	(1)	-100.0	(1)
Macedonia	0	857	0	0	0	0	0	(1)	(1)	-100.0	(1)	(1)	(1)
Oman	1,690	3,517	5,022	7,034	20,411	7,309	6,239	1107.5	108.1	42.8	40.1	190.2	-14.6
Pakistan	2,563	1,193	2,585	1,259	845	287	0	-67.0	-53.5	116.7	-51.3	-32.9	-100.0
Peru	404	415	812	1,385	781	35	0	93.4	2.9	95.5	70.5	-43.6	-100.0
Philippines	3,556	1,016	4,013	9,634	15,311	2,818	8,992	330.5	-71.4	294.7	140.1	58.9	219.1
Poland	0	0	0	0	37	37	0	(1)	(1)	(1)	(1)	(1)	-100.0
Romania	6,771	9,829	4,858	5,278	19,773	8,441	9,878	192.0	45.2	-50.6	8.7	274.6	17.0
Slovak Republic	0	0	0	0	0	0	6	(1)	(1)	(1)	(1)	(1)	(1)
South Africa	8,884	5,815	6,200	6,685	13,075	6,268	2,979	47.2	-34.6	6.6	7.8	95.6	-52.5
Venezuela	3,054	747	3,375	4,278	9,753	2,223	4,981	219.4	-75.5	351.9	26.8	128.0	124.1
Zimbabwe	224	0	0	0	0	0	0	-100.0	-100.0	(1)	(1)	(1)	(1)
Subtotal	185,090	138,063	154,201	179,942	292,569	130,971	168,737	58.1	-25.4	11.7	16.7	62.6	28.8
Grand total	533,267	415,369	419,683	410,712	725,078	298,800	427,874	36.0	-22.1	1.0	-2.1	76.5	43.2

Table continued on next page.

Table E-1--Continued
Circular welded non-alloy steel pipe: U.S. imports, by sources, 2000-04, January-June 2004, and January-June 2005

Item	2000	2001	2002	2003	2004	January-June 2004	January-June 2005	2000-04	2000-01	2001-02	2002-03	2003-04	Jan.-June 2004-05
	Unit value (per ton)							Period changes (percent)					
China	$416	$400	$596	$452	$576	$506	$653	38.3	-3.9	49.2	-24.1	27.2	29.0
AD/CVD sources:													
Korea	419	380	399	525	620	514	778	47.9	-9.3	5.1	31.7	17.9	51.3
Taiwan	415	354	390	428	550	472	679	32.5	-14.6	10.1	9.6	28.6	43.7
Thailand	443	426	404	536	564	476	719	27.4	-3.7	-5.3	32.7	5.2	51.2
Subtotal	424	385	399	518	578	486	733	36.2	-9.3	3.6	29.9	11.6	50.6
Argentina (exempt 201)	322	408	336	365	410	383	764	27.2	26.7	-17.6	8.5	12.3	99.4
Brazil (exempt 201)	2,039	(1)	1,644	569	679	588	882	-66.7	(1)	(1)	-65.4	19.3	50.2
India (exempt 201)	435	400	407	452	633	571	738	45.6	-8.0	1.7	11.2	40.0	29.4
Mexico (exempt 201)	577	403	462	471	906	744	976	57.1	-30.2	14.7	1.9	92.5	31.3
Turkey (exempt 201)	426	384	368	415	572	517	710	34.2	-9.8	-4.3	12.7	38.0	37.3
Subtotal average	471	397	406	439	660	575	835	40.1	-15.7	2.2	8.3	50.3	45.3
Average AD/CVD	433	387	401	470	626	545	785	44.7	-10.5	3.6	17.1	33.3	44.0
Covered 201:													
Algeria	512	(1)	(1)	(1)	(1)	(1)	709	(1)	(1)	(1)	(1)	(1)	(1)
Australia	465	521	431	4,712	741	691	793	59.2	11.9	-17.2	992.7	-84.3	14.8
Austria	2,701	2,552	2,431	2,178	3,303	2,774	3,942	22.3	-5.5	-4.7	-10.4	51.6	42.1
Belgium	344	1,018	1,377	(1)	1,497	1,893	2,072	335.3	196.0	35.3	(1)	(1)	9.5
Denmark	996	1,493	1,605	3,051	2,581	1,813	5,124	159.2	49.9	7.5	90.1	-15.4	182.7
Finland	(1)	(1)	1,431	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
France	1,742	1,337	1,752	3,376	1,082	886	1,970	-37.9	-23.3	31.0	92.8	-68.0	122.4
Germany	1,253	1,570	1,532	3,538	2,389	2,108	3,214	90.6	25.2	-2.4	131.0	-32.5	52.4
Hong Kong	(1)	500	(1)	(1)	1,069	736	612	(1)	(1)	(1)	(1)	(1)	-16.9
Ireland	(1)	(1)	(1)	(1)	(1)	(1)	568	(1)	(1)	(1)	(1)	(1)	(1)
Italy	4,229	2,798	1,799	1,594	1,651	1,583	1,803	-61.0	-33.8	-35.7	-11.4	3.6	13.9
Japan	1,024	809	850	1,016	894	739	1,454	-12.7	-21.0	5.1	19.5	-12.0	96.7
Malaysia	399	420	619	677	816	615	(1)	104.8	5.3	47.5	9.4	20.6	(1)
Netherlands	658	538	656	1,171	686	670	4,356	4.3	-18.3	21.9	78.4	-41.4	549.8
New Zealand	429	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Russia	469	(1)	886	(1)	(1)	(1)	6,988	(1)	(1)	(1)	(1)	(1)	(1)
Saudi Arabia	(1)	1,998	488	(1)	1,849	1,849	(1)	(1)	(1)	-75.6	(1)	(1)	(1)
Spain	448	363	611	1,714	2,839	2,832	1,817	534.2	-18.9	68.3	180.7	65.6	-35.8
Sweden	582	619	760	773	1,089	3,930	1,039	87.2	6.3	22.9	1.6	40.9	-73.6
Switzerland	1,279	4,304	3,814	4,085	2,805	2,833	2,958	119.4	236.6	-11.4	7.1	-31.3	4.4
Ukraine	(1)	(1)	382	349	829	887	812	(1)	(1)	(1)	-8.6	137.4	-8.5
United Arab Emirates	439	436	389	406	723	634	942	64.8	-0.7	-10.7	4.3	78.1	48.5
United Kingdom	5,435	616	10,312	2,652	2,168	834	501	-60.1	-88.7	1574.9	-74.3	-18.2	-39.9
Vietnam	(1)	442	523	(1)	(1)	(1)	(1)	(1)	(1)	18.2	(1)	(1)	(1)
Subtotal average	712	754	919	1,127	989	871	1,375	39.0	5.9	21.9	22.6	-12.2	57.8
Exempt 201:													
Canada	598	525	595	600	882	818	916	47.4	-12.3	13.4	0.8	47.0	11.9
Chile	538	712	507	558	578	482	740	7.3	32.2	-28.8	10.2	3.5	53.6
Colombia	344	430	507	457	1,237	753	903	260.0	25.0	18.0	-9.9	170.7	19.9
Costa Rica	(1)	(1)	(1)	(1)	(1)	(1)	760	(1)	(1)	(1)	(1)	(1)	(1)
Croatia	454	(1)	(1)	380	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dominican Rep	(1)	(1)	489	432	751	694	570	(1)	(1)	(1)	-11.6	74.0	-17.9
Ecuador	(1)	730	664	(1)	(1)	(1)	(1)	(1)	(1)	-9.1	(1)	(1)	(1)
Egypt	280	265	314	(1)	(1)	(1)	(1)	(1)	-5.4	18.5	(1)	(1)	(1)
Guatemala	448	712	633	475	898	749	818	100.2	58.8	-11.2	-24.9	88.9	9.2
Indonesia	421	399	373	440	541	445	645	28.5	-5.3	-6.5	18.1	22.9	45.0
Israel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Macedonia	(1)	381	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Oman	371	347	374	422	622	527	700	67.7	-6.4	7.6	12.9	47.5	32.8
Pakistan	466	457	420	419	578	529	(1)	24.0	-2.1	-7.9	-0.3	38.0	(1)
Peru	378	387	342	474	580	495	(1)	53.4	2.4	-11.7	38.6	22.4	(1)
Philippines	417	356	377	448	591	453	679	41.9	-14.5	5.7	19.0	31.9	49.9
Poland	(1)	(1)	(1)	(1)	1,245	1,245	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Romania	359	328	312	355	563	474	662	56.9	-8.7	-4.8	13.7	58.7	39.7
Slovak Republic	(1)	(1)	(1)	(1)	(1)	(1)	5,305	(1)	(1)	(1)	(1)	(1)	(1)
South Africa	384	386	330	400	559	487	709	45.5	0.5	-14.3	21.2	39.5	45.6
Venezuela	8,244	217	358	394	591	460	969	-92.8	-97.4	64.5	10.2	49.9	110.7
Zimbabwe	371	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Subtotal average	539	473	515	532	783	704	858	45.3	-12.2	8.7	3.5	47.2	21.8
Average	490	443	474	513	683	610	791	39.5	-9.5	7.0	8.4	33.0	29.5

(1) Not applicable.
(2) Less than 0.5 tons.

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

Table E-2
Circular welded non-alloy steel pipe: Monthly U.S. imports from China, January 2000-July 2005

Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
	Quantity (short tons)												
2000	9,499	8,785	10,047	4,614	19,912	6,564	21,767	30,969	7,702	23,311	13,120	7,580	163,868
2001	14,419	16,654	27,647	11,361	24,715	8,333	5,966	23,789	17,486	6,172	154	340	157,036
2002	761	354	253	335	428	377	493	817	507	563	3,978	1,248	10,114
2003	4,078	6,934	2,504	8,832	5,247	7,034	17,233	11,323	6,375	6,160	13,645	2,952	92,317
2004	8,086	16,685	5,666	9,136	16,506	31,812	26,791	48,882	18,259	28,509	27,578	29,561	267,470
2005	25,509	23,791	18,684	44,878	30,007	42,151	30,287	0	0	0	0	0	215,307
	Landed, duty-paid value ($1,000)												
2000	3,615	3,839	4,130	1,887	7,418	2,825	9,266	12,919	3,345	9,770	5,687	3,476	68,179
2001	5,620	7,130	12,134	4,847	8,978	3,365	2,454	8,614	6,865	2,413	116	230	62,766
2002	536	204	165	228	275	338	305	570	331	378	1,894	806	6,029
2003	1,938	3,135	1,011	3,853	2,334	3,078	7,732	5,424	2,875	2,896	6,165	1,331	41,772
2004	3,384	7,159	2,486	4,533	9,211	17,727	15,738	30,157	10,699	17,163	16,871	18,811	153,937
2005	16,519	15,489	12,377	28,569	20,236	27,631	20,097	0	0	0	0	0	140,918
	Unit value (per ton)												
2000	381	437	411	409	373	430	426	417	434	419	434	459	416
2001	390	428	439	427	363	404	411	362	393	391	753	675	400
2002	704	575	654	681	643	896	618	698	653	671	476	646	596
2003	475	452	404	436	445	438	449	479	451	470	452	451	452
2004	418	429	439	496	558	557	587	617	586	602	612	636	576
2005	648	651	662	637	674	656	664	(1)	(1)	(1)	(1)	(1)	654

(1) Not applicable.

Source: Official Commerce statistics for HTS 7306.30.1000, 7306.30.5025, 7306.30.5032, .7306.30.5040, 7306.30.5055,7306.30.5085, and 7306.30.5090.

APPENDIX F

COMMENTS ON INDUSTRY DEVELOPMENTS

U.S. producers and importers were asked to discuss the impact of the imposition, modification, and termination of the U.S. safeguard tariffs, closure or relocation of subject product capacity in the United States, and demand trends among key end users (producer questionnaire, section II-12, and importer questionnaire, section II-6). The following tabulation presents responding firms' comments.

A) Discuss the impact of the imposition, modification, and termination of the U.S. safeguard tariffs (March 2002-December 2003) on <u>standard pipe and other forms of welded tubular products</u> (except OCTG and line pipe)--	
U.S. producers	
***	As safeguards were modified imports increased thus putting domestic mills at a disadvantage to market their products.
***	N/A.
***	*** tonnage was down ***% in 2001 and recovered ***% 2002 and was flat in 2003. Sales nationally dropped ***% in 2004 and another ***% in the 1st half of 2005. Our numbers at *** faired a little better in 2001 and 2003. Our numbers were similar for 2004 but we were significantly off in the second half of that year. Sales were down ***% for the first half of 2005 compared to the first half of 2004, and this was totally due to the flood of Chinese imports. Unfortunately for ***, these imports hit the *** harder than the rest of the country, especially so the 2nd half of 2004 and the first half of 2005.
***	No impact.
***	No significant reduction of inputs due to 201 tariffs.
***	Raw material costs increased at a faster rate than tubing prices which resulted in lower profitability.
***	Safeguards had the effect of decreasing imports and increasing demand for our pipe which resulted in increased shipments.
***	The tariffs on standard pipe have been beneficial in assisting domestic pipe manufacturers in competing with very low priced foreign goods.
***	The safeguard tariff on tubular products was only50% of the tariff of steel. This was not enough to keep imports out of the market. The tariff was often split up by the producer and the trading company that effectively negated the impact on the market. Also non-subject countries such as Turkey greatly increased their shipments into the U.S.
***	The imposition, modification and partial termination of the US safeguard action on welded tube other than OCTG and line pipe has had little impact on imports as shipments from countries outside the safeguard action increased shipments.
***	The safeguard did not have an immediate impact on production capacity. The tariffs enabled *** to maintain its position in the market in terms of production and shipments. After the imposition of the tariffs, flows of low priced imports from offshore countries excluded from the relief measures coupled with a sluggish economy, precluded a return to acceptable levels of investment returns. Spot sales for tubular products moved somewhat but remained suppressed from March 2002 through the first quarter of 2004. Prices rose in the first half of 2002 but then retreated in the second half of 2002 and 2003 due to lower priced imports from uncovered countries. The tariff differential between welded tubular products (15%) and flat rolled (30%) proved to be an incentive for foreign producers to concentrate more on tubular exports to the U.S.

***	The imposition of the U.S. safeguard enabled *** to invest in its facilities which produce *** for the welded standard operations. The termination of the safeguard led to increased imports.
***	We definitely saw a decrease in imports during the safeguard period which enabled us to sell more pipe. We then saw an increase in imports after the safeguard period terminated.
***	We can find import pipe and tube (hollow structural tube) in *** market. In the latter half of 2004 and first quarter of 2005, we heard much import arrived in ***.
***	*** has been effected by the lifting of the tariffs because import pipe has increased dramatically into the *** in 2004 and 2005.
U.S. importers	
***	Because of imposition of safeguard (Sec. 201), our business had been dramatically decreased from Japan in general. But after termination of sec. 201, the import business of welded tubular products has been regenerated.
***	China began offering pipes into the U.S. market after section 201 expired. *** begin to buy in 2004.
***	Did not affect our business.
***	Dumping investigations and section 201 prevented our sale of standard pipe and other forms of welded tubular products. End of section 201 we began sales in an strong market demand.
***	Felt that the tariffs imposed were biased and unfair. China was not subjected to any tariffs at all and it gave them an unfair advantage, an open invitation to invade the U.S. market.
***	Imports cost increased and accordingly sales price increased substantially
***	It was inevitable to shift from standard pipe market and stopped importing standard pipes from *** completely.
***	It has allowed for the global steel market to become competitive on a global basis. This will better the US economy and economics of others.
***	Look for more options to acquire competitive pricing from non restricted countries. Adding more cost to the end-user.
***	No effect.
***	No impact.
***	No difference, our product is automotive related and changes in supply source are very costly and extremly difficult. Lifting of safeguards allowed margins to return to quoted levels.
***	No impact. Plenty of supply from different countries.
***	No impact.
***	No effect due to the fact we absorbed the cost increases resulting from the safeguard tariffs while maintaining our buying patterns.
***	No impact.
***	No impact to our operation but purchase price went up.
***	No great impact as countries we are dealing with on pipe were not covered by U.S. safety tariffs.

***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	Not Known.
***	Not applicable - no discernable effect on our business.
***	*** did not begin operations until ***.
***	The imposition of safeguard duties on standard pipe resulted in increased prices and somewhat reduced quantities for imports of standard pipe. The termination of safeguard duties at the end of 2003 had little impact on pipe and tube imports, however, because around the same time global shortages of hot coiled developed. This had two immediate impacts; first, ***, like many pipe producers, was unable to obtain sufficient supplies of hot rolled coil to meet traditional demand for pipe. As a result *** had supply disruptions in 2004. The second impact of the global raw material shortage was that prices of hot rolled coil and pipe increased substantially. In the United States, US producers increased prices and also applied surcharges.
***	The imposition of the 201 remedy limited the amount of tons of standard pipe we were able to import.
***	The U.S. safeguards tariffs enacted in 3/2002 to 12/2003 prevented imports from China. The net results were shifted our purchasing to imports handling pipe from India, Korea, Oman, Thailand, Indonesia, and other import pipe suppliers.
***	The imposition of safeguard tariffs on imports of pipe and tube had the effect of limiting imports of circular welded pipe and increasing the prices by duty amount from all sources. Imports from China and other sources were in the same position. Once safeguards removed in Dec. 2003, *** faced severe raw material shortage as well as hefty price increase. As a result, *** reduced shipments of pipe to U.S. during 2004. At the same time, the US market for pipe and tube was strong and customers could not get what they wanted from US domestic supplier, so we increased our imports from *** and U.S. domestic mills.
***	The termination of safeguards expanded competitive availability from Asia.
***	The safeguard did not have an immediate impact on production capacity. The tariffs enabled *** to maintain its position in the market in terms of production and shipments. After the imposition of the tariffs, flows of low priced imports from offshore countries excluded from the relief measures coupled with a sluggish economy, precluded a return to acceptable levels of investment returns. Spot sales for tubular products moved somewhat but remained suppressed from March 2002 through the first quarter of 2004. Prices rose in the first half of 2002 but then retreated in the second half of 2002 and 2003 due to lower priced imports from uncovered countries. The tariff differential between welded tubular products (15%) and flat rolled products (30%) proved to be an incentive for foreign producers to concentrate more on tubular exports to the U.S.

***	The imposition created a financial hardship as we were committed to import purchases and our customer requirements made it time consuming to make a change in suppliers. The termination eliminated the additional financial burden.
***	This safeguard forced us to source product from new non-impacted countries that were exempt from these safeguards - following termination the market forces dictated sourcing.
***	We just started our business ***. We work with small to medium size companies trying to help them stay competitive so they can stay in business.
Source: Compiled from data submitted in response to Commission questionnaires.	

B) Discuss the impact of the imposition, modification, and termination of the U.S. safeguard tariffs (March 2002-December 2003) on flat-rolled steel--	
U.S. producers	
***	As noted earlier the relief differential between flat rolled and tubular products resulted in increased focus by foreign producers on exporting of tubular products in the U.S.
***	As a result of numerous bankruptcies, the 201 was imposed. The result of the reduced domestic capacity as well as considerably less foreign availability caused prices to spike. Upon the termination of the 201 prices began to moderate.
***	Decreased availability of imported steel offerings which among many factors, contributed to the tight supply of steel in 2004.
***	Due to limited market demand, impact was not measurable.
***	Flat rolled steel pricing increased while availability tightened.
***	Flat rolled steel increases were greater than the increase in pipe prices.
***	Flat-rolled steel domestically manufactured has benefitted from safeguard tarifs by becoming a stronger source of supply to the domestic pipe manufacturers. It has helped our pipe operations.
***	Imports increased on hot roll approximately 30% in 2003 volume.
***	Imposition of the safeguard action on flat rolled steel initially resulted in higher raw material costs in 2001, but steel prices fell in 2002 with drop in US economic activity. Modification and termination of the safeguard action on flat rolled steel have not influenced steel supply and demand as much as the increase in world wide demand and supply shortages have pushed steel prices up 100% in the past 18 months.
***	No impact until 2004 as China absorbed all excess capacity worldwide. In the fourth quarter of 2004 the West Coast saw a flood of flat rolled steel from Mexico, India and China.
***	Section 201 for 2001 through 2003 attempted to make it fair for both flat rolled steel producers and steel tube producers. It was fair, and it was okay when the president removed it. Surprisingly to me there was very little foreign flat rolled steel in the west coast during the first 9 months of 2004. It started coming in during the 4th quarter 2004 and prices of flat rolled steel started to drop, the steepest drop was in the 2nd quarter of 2005.
***	The imposition of the U.S. safeguard enabled ***. The termination of the safeguard resulted in significant increases of imported hot roll.
***	The effect of the imposition of the U.S. safeguard action on flat-rolled steel was decreased product margins due to higher process for steel substrate used for the steel pipe. We were unable to recover the higher cost in finished goods prices due largely to poor market demand and pressure from imported pipe. The partial termination of the safeguard have had very little effect on steel substrate prices.
***	The flat rolled tariff increased the cost of steel from domestic producers the moment the imposition of the tariff was announced by the president. This caused a run up in market price in 2002.
***	The difference in tariffs on steel vs pipe had a negative impact

U.S. importers	
***	Any action taken to safeguard by traffic imposes limitations of options to acquire finish goods.
***	As noted above the relief differential between flat rolled and tubular products resulted in increased focus by foreign producers on exporting of tubular products to the U.S.
***	Created a slight increase in our business.
***	Great impact because most of our flat-rolled imports come from EEC.
***	in our opinion had little if any affect on our standard pipe import business.
***	It has mostly benefitted the automobile makers and US shipbuilders to purchase competitively priced raw materials to which directly help their success.
***	No impact. Excess supply worldwide - until 2003, changed in 2004 but unrelated to safeguards.
***	No impact.
***	No impact to our operation but purchase price went up.
***	No impact.
***	No effect - we are not producers.
***	No effect.
***	No impact.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	Not applicable - no discernable effect on our business.
***	Prices for pipe and tube in the US generally increased as a result of the combination of the safeguard tariffs on flat-rolled and the safeguard tariffs on pipe and tube, which increased prices for both in the US market. The termination of the safeguard tariffs on flat rolled had no impact on pipe prices, however, because global raw material (hot rolled) shortages developed shortly thereafter, which resulted in price increases for hot rolled and pipe and tube in the US.

***	The flat-rolled tariffs created a panic atmosphere with U.S. domestic manufactures who started stock piling inventories and raising "stock" prices drastically.
Source: Compiled from data submitted in response to Commission questionnaires.	

C) Discuss the impact of changes in the availability and prices of direct inputs (e.g., hot-rolled steel) and upstream materials (e.g., steel scrap)--	
U.S. producers	
***	Changes in flat rolled steel prices in 2004 effected profitability and caused shortages of material and lower lead times.
***	Changes in availability of direct imports have been negligible. However, increases in prices of direct inputs during the subject time period have been substantial. Due to poor market demand and a general oversupply of finished steel pipe imports we were unable to pass these increases along to customers. Since December 31, 2003, steel inputs lead times have begun to increase and we have recognized dramatic increases of raw materials over 2003 levels.
***	Changes in availability and cost of direct inputs have not had a substantial impact on the production of the subject goods.
***	Due to limited market demand, impact was not measurable.
***	Hot rolled for welded products is supplied by *** and hot roll *** prices have fluctuated based on ***.
***	In 2004 we were faced with price hike and late delivery of raw coil.
***	In 2004 the market exploded. Our prices zoomed upward due to the steel shortage (mostly caused by China's consumption). This gave *** and all steel converters an extremely profitable year on paper. For example, ***. This 2004 profit is mostly accounting paper profit - we had *** and prices exploded due to the shortage. The steel shortage was over by the end of the 2nd qtr of 2004. Our *** was because of the Chinese surge of imports.
***	Input prices surged from Dec. 03 - Sept. 04 and supply decreased dramatically. Production schedules were altered based on steel availability.
***	More import available-pricing in hot roll went up 30% from March 2002 - December 2003.
***	Scrap increased significantly in 2004 along with coking coal and other metallics. This caused an unprecedented rise in steel costs in that year. Demand in China for these inputs was a major reason for the increase.
***	Scrap steel was in short supply along with coke shortages causing flat rolled steel products to be in short supply both in the US and in international markets. This imbalance did not appear to be structural in nature as prices have recently moderated.
***	See prior answers.
***	Since the elimination of tariffs steel has been increasingly difficult to procure and in addition the prices have increased significantly and are continuing to increase. Prices are correlating somewhat to steel scrap prices.
***	Slab supply became tight internationally due to China - driving up prices over 100%.
***	We experienced a rapid increase in price of domestic steel (and scrap) during 2004.
***	***. Availability of hot rolled coils from that point forward have gone from steel mill allocations to present day open availability. Pricing has fluctuated but has mainly been above historic average.

U.S. importers	
***	2001 shutdown of Laclede Steel temporarily limited our ability to secure domestic grade A standard pipe.
***	As importers, we have very little dialog with domestic mills. To the best of my knowledge, any and all U.S. closures would be related to the severe shortage of HRC in the past 18 months. This started with the U.S. shortages and spread to a world-wide crisis as availability lessened and demand increased.
***	Closure of mills had a negative effect on our business as capacity was removed, thus driving prices higher. Example - Sawhill Tubular was purchased by Sharon Tube in 2002 and closed operations.
***	Do not know of any.
***	Don't know of any.
***	NAPA Pipe - Shut down 2004, Durabond - Opened in 2004.
***	No impact.
***	No mill closures in markets we ship to. Not applicable.
***	No impact to our operation.
***	No effect.
***	No effect.
***	No impact.
***	No impact.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	None.
***	Not applicable - no discernable effect on our business.
***	The import is minimal to our operation.
***	This had impact. What has happened over the last 3 years is that pipe from China has displaced pipe from other origins. Our purchases from *** have declined in deference to pipe from China. Our purchases from China have not displaced even one ton of pipe manufactured by U.S. producers.

***	We are not familiar with any closures or relocations of standard pipe domestic producing facilities.
***	½" - 4" ASTM A53 mill closure - LaClede-USA 2002; buyout of Sawmill-USA 2003. These closures leave Wheatland to be in a monopoly position.

Note: *** did not respond.

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

D) Discuss the impact of the closure or relocation of circular welded non-alloy steel pipe capacity in the United States generally as well as on a regional basis (please identify firms and time frames involved)--	
U.S. producers	
***	Closure of LaClede Steel resulted in some increased business until the surge of Chinese imports.
***	Did not impact USS welded standard pipe operations.
***	Did not impact USS welded standard pipe operations.
***	Due to limited market demand, impact was not measurable.
***	In the *** our domestic market share increased during 3rd quarter of 2003 and has continued through 2004 with the closing of Geneva Steel and Prudential. As a mill, because of increased sales, we have increased our production by approximately ***%.
***	Laclead Steel - 2001 closed all pipe making operations; no impact on pipe business. 2002 - Sawhill Tubular acquired by Wheatland Tube.
***	No impact.
***	No impact on ***.
***	None.
***	None.
***	Not familiar with any closures or relocations of welded non alloy standard pipe capacity.
***	There has been some consolidated and closure of welded non-alloy steel pipe production facilities in the US, and while this has helped strengthen the US domestic producer's market, unrestrained low priced imports continue to surppress prices and take share from domestic producers.
***	Two 16" mills have closed over the past two years, plus one " mill closed in early 2004. This had very little effect on our operations.
***	Unknown.
U.S. importers	
***	As demand rose in late 2003 through 2004 prices escalated having a devastating effect on our business. Demand in many areas was being fueled by rising oil prices.
***	Buying cheaper Chinese pipe.
***	Customers wanted to buy competitive imports to cost down and compete.
***	Demand is stable.
***	Demand increased substantially in 2004-2005 as a result of China's demand for steel imports. Not applicable.
***	Demand for imported pipe tubular products has been very strong due to domestic rationing of HR Bands (allocations) where domestic producers could not get all the material needed to produce their pipe.
***	Low through 2003; strong from 2004, somewhat softer in 2005.
***	Need to lower their prices and still try to make a profit.

***	Earlier in the period, pipe customers started over purchasing their normal requirements due to the fear they would not be able to get future shipments from mill. In the past 3-6 months inventories have returned to normal levels. Generally, over the period demand has been strong and is expected to remain that way.
***	End user demand is a function of the economy in general but can also be sector specific (e.g. housing) although most sectors tend to reflect the overall economic situation as it goes through its cycles. *** will generally follow these economic/demand cycles except where it encounters surges of unfairly traded imports that suppress the company's ability to compete in the market.
***	Has been very stable since 2004. Only change is that there is more accessible competitive pricing to help fuel the steel industry.
***	Increased competition from plastic resulting in a reduced demand for steel pipe.
***	Key end users allowed for an increased percentage of import pipe to be used in projects once only deemed "domestic only."
***	No impact.
***	No impact.
***	No effect.
***	None.
***	None.
***	None.
***	None.
***	None.
***	Our imports are directly related to demand from our customers.
***	Quality product at competitive pricing.
***	Shortage of standard pipe supply during 2004.
***	The key end users sought for alternatives to substitute Korean pipes in order to keep operating in the industry.
***	The demand for standard pipe has remained steady for the past several years with little change in either direction.
***	Volume of the steel pipe operations is expected to increase due to new model launch at end users in the automotive industry.
***	We only import for one customer, so this is 100% of what determines our imports of pipe.
***	We have seen no demand trends.
***	*** trends were down due to lost market share. The overall demand remained consistent with competitors making up the difference.

Note: *** did not respond.

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

E) Discuss demand trends among key end users--	
U.S. producers	
***	Demand has increased because of reduced capacity and has been very supply-side-driven. Projects and distributor business will need to increase and import shipments must stay normal in 2005/2006 for "True Demand" to be sustained.
***	Demand trends have fluctuated dependent on the U.S. economy's strength. Unfortunately, demands are being filled in good and bad markets by cheap imported Chinese tubular products.
***	End user demand is a function of the economy in general but can also be sector specific (e.g. housing) although most sectors tend to reflect the overall economic situation as it goes through its cycles. *** production will generally follow these economic/demand cycles except where it encounters surges of unfairly traded imports that suppress the company's ability to compete in the market.
***	Increased due to rising prices and perception of short supply.
***	Lower demand.
***	No change.
***	No impact.
***	Non-residential construction has been improving from post 9/11 downturn.
***	Standard pipe demand increased until late 2004. Since then demand has declined.
***	Standard pipe demand dropped 6% between FY01 & FY02 and again by 15% in the following fiscal year. By FY2004 demand had declined by another 5% year to year.
***	Standard pipe demand is weaker than expected primarily due to a slowdown in non-residential construction.
***	The demand for fence tubing has been mostly flat. I believe the drop in 2004 and the drop in 2005 is not a usage drop, but a switch from domestic to foreign imports (Chinese").
***	The "Enron Effect" had a negative effect on the pipeline industry as it constricted capital flows into the industry. In 2003 this effect lessened and has continued to lessen in 2004, as new pipeline companies have emerged.
***	While overall demand for pipe has remained strong, many of our key end users have purchased significantly less product from us because of Chinese imports.

Note: *** did not respond.

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

F) Discuss changes in transportation options and costs (including the availability and expense of rail, truck, and international waterborne transport)--	
U.S. producers	
***	All increased and availability was in tight supply.
***	For the most part during 2001-2003 we experienced few changes in freight rates. However, since late-year 2003 we have seen substantial increases in freight rates.
***	Freight costs have gone up because of gasoline surcharges, but overall, freight is not a big cost factor in this product. So my answer is "no change."
***	Increased energy costs have accelerated transportation costs and increased delivery schedules.
***	Increased cost of freight due to fuel surcharges.
***	International freight rates for ocean carriers have resin with increased demand in Asia, but we understand these rates are for bulk carriers of iron ore, scrap and similar goods. We have seen no evidence of increased rates for ocean shipment of finished goods from Asia to north America. Truck and rail availability has decreased somewhat while expenses have increased, mainly due to rapidly rising fuel costs.
***	N/A
***	No impact.
***	No significant changes other than fuel cost increases have increased our transportation costs being that the majority of it is done by truck
***	Standard pipe is shipped using trucks with the occasional use of rail. Prices in 2001 were approximately $*** per ton versus current freight expenses of approximately $***/ton. This significant increase is expected to continue due to high fuel prices.
***	The domestic rail system is having problems keeping up with demand for rail cars. Barge and truck rates continue to increase due to higher fuel costs. Availability for these modes of transportation have not been limited.
***	Transportation costs increased and truck availability tightened through 2004. Since then all transportation costs have increased but availability has improved.
***	Transportation cost and fuel surcharges have increased significantly.
***	Transportation costs are on the rise putting more constraints in the development of new markets.
***	Truck and rail transportation cost are up 30-50%. Availability of equipment in 2005 has caused delays in shipments and doesn't look any better for 2006.

Note: *** did not respond.

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

APPENDIX G

ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. FIRMS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2000, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of circular welded non-alloy steel pipe from China. Their responses are as follows:

Actual Negative Effects

******* "Yes. Cancellation or rejection of expansion projects; ***; reduction in the size of capital investments; ***."

******* "No."

******* "Yes. The rapid increase of Chinese imports has forced us to liquidate inventories and reduce future inventory investments."

******* "Yes. The company's debt ***. By depressing the market, the continued and increasing presence of welded pipe imports from China will limit ***'s ability to *** thus restricting the company's ability to finance capital and R&D projects."

******* "No."

******* "Yes. Chinese imports have caused us to have lower profits in the 2nd half of 2004 and even lower profits in 2005."

******* "Not that we can document as such."

******* "Yes. Lost sales and reduced revenues."

******* "No."

******* "Yes. Cancellation or rejection of expansion projects (***); and, production down and production shifts reduced."

******* "Yes. Reduction in the size of capital investments."

******* "Yes. Cancellation or rejection of expansion projects; and, reduction in the size of capital investments."

******* "No."

******* "Yes. Layoffs have occurred in 2005."

******* "Yes. Reduction in the size of capital investments."

*** "No."

*** "Yes. Cancellation or rejection of expansion projects; denial or rejection of investment proposal; and, reduction in the size of capital investments."

*** "No."

Anticipated Negative Effects

*** "Yes. Laclede is no longer in business."

*** "Yes. Curtailed production & employment due to low selling prices."

*** "Yes. Lost business due to pricing. Production down from three turns to two turns per day. Lost revenue due to lower prices on our products."

*** "Yes. If relief is not granted, imports of circular welded non alloy steel pipe from China will continue to negatively affect the volume and proceeds of *** sales of subject goods."

*** "Yes. Without relief Chinese imports will continue to surge into the market causing injurious disruptions that will result in lost sales, reduced profits, underemployment and underutilization of facilities. These will in turn lead to curtailment of capital investments in production facilities."

*** "Yes. Pricing of Chinese imports deteriorate the market."

*** "Yes. It would prevent us from returning a fair return on our investment and would make it unlikely to obtain capital for expansion to meet potential increased demand."

*** "Yes. Downward pricing pressure on A53B."

*** "Lost sales-Lost Margin of significant magnitude. Production hours to be further reduced, negative absorption impact. Decrease in stock price by ***% attributable to steel as per attached article (referring to *** article in the *Wall Street Journal*)."

*** "Yes. The pricing of China pipes is much lower than our stuff. To fight them, we need to decrease our sales price. But raw material cost is still high, taking into account of our adjusted pricing."

*** "No. ***."

*** "Yes. Lower prices, dramatically reduced operating levels at factories."

*** "Yes."

*** "Yes. Continued shifting of US pipe distributors from domestic to Chinese sources due to large price difference will eventually erode this market for our company and force us to move production to other products and possibly prevent expansion of facilities."

*** "Yes. Further significant loss of domestic market share due to Chinese imports. Further layoffs are anticipated."

*** "Yes. China didn't hurt us until 2004 and it's hard to complain when you make as much money as the industry did, but the profit surge was caused by a worldwide steel shortage and it is a once in a lifetime occurrence that lasted less than 5 months in 2004. Our tonnage dropped significantly during the second half of 2004 and dropped another ***% in the first half of 2005. Unless we receive some relief from the government, there is a strong possibility that *** division will be in the red by the 4th quarter, 2005, and we will have employee layoffs."

*** "Yes. If imports are not fairly traded, then we will not see an increase in production or profits as the market rebounds."

*** "Yes. Dumped pricing and volumes of standard pipe from China results in lost orders and market share as well as suppression of domestic pricing. Since ***, it is possible *** will shut down *** if relief from China is not granted. In early 2005, the *** was laid off due to high levels of standard pipe imports from China."

APPENDIX H

ANALYSIS OF RESPONDENT CCCMC'S CALCULATIONS OF U.S. PRODUCERS' PROFITABILITY AS ADJUSTED FOR THE EFFECTS OF TIMING DIFFERENCES BETWEEN U.S. PRODUCERS' PURCHASES OF HOT-ROLLED SHEET AND THE SALE OF SUBJECT PIPE

In respondent CCCMC's prehearing and posthearing briefs, and at the hearing, the respondent asserted that fluctuations in the profitability of U.S. producers of circular welded non-alloy steel pipe are due in large part to the volatility in purchase prices for the main raw material input – hot-rolled sheet – and the timing differences that occur between actual purchases of hot-rolled sheet and the sale of the end-use pipe products (at which point raw material costs are transferred to COGS). In exhibits eight and nine of its prehearing brief, CCCMC: (1) estimates the average length of this "inventory lag", and (2) attempts to adjust and project U.S. producers' profitability from the second half of 2003 through 2005 for the lag effects of raw material costs.

This appendix presents an analysis of respondent CCCMC's methodology for recalculating and projecting the U.S. industry's profitability on circular welded non-alloy steel pipe, and presents an alternative calculation developed by Commission staff. It does not attempt to project the U.S. industry's profitability.

The premise of respondent CCCMC's calculations involves the following concepts. The price for hot-rolled steel increased sharply during the first several months of 2004, and U.S. producers of circular welded non-alloy steel pipe raised the selling prices of their finished pipe very shortly after the price of hot-rolled steel increased. However, it took several months for hot-rolled steel subject to the price increases to be purchased, delivered, entered into inventory, converted to circular welded non-alloy steel pipe, and sold and delivered as a finished pipe product (the "inventory lag"). As a result, the effects of increased hot-rolled prices did not become apparent in the accounting and financial records for several months. In the second half of 2004 and at least the first half of 2005, the price of hot-rolled steel began to decline. Nonetheless, U.S. producers were able to continue to raise selling prices for the finished pipe products. As a result, if the "inventory lag" is accounted for, respondent CCCMC contends that U.S. producers' profitability during the period of investigation would improve, and that the industry is poised to have considerable profits in the second half of 2005.

While it is intuitive that financial data would be affected when there is an appreciable time lag between the time companies raise the selling prices of finished goods in response to increased prices paid for the raw materials and the time these higher-priced raw materials are brought into inventory, companies make no attempt to adjust their accounting records or financial results for this in the normal course of business. Indeed, they cannot make such adjustments under generally accepted accounting principles (GAAP). Therefore, none of these calculations or adjustments to raw material costs should be considered sufficient to supplant data that have been provided by the firms themselves and are certified by the officials of those firms. These calculations are not in accordance with GAAP; nor would these calculations reconcile with companies' books and records. Therefore, the calculations and adjustments should be used with caution.

Staff analyzed these methodologies and has a number of concerns. Regarding the calculation of inventory lag, respondent CCCMC compared reported inventory asset data to reported raw material costs. These data typically come from different sources within a firm, with inventory asset data generally being less precise because such data generally require more allocations to get to a product-specific level as requested in Commission questionnaires. Additionally, it may be more appropriate to compare total inventory (raw materials, work-in-process, and finished goods) to total COGS instead of only raw material COGS. U.S. producers were requested to report the lag period that respondent CCCMC calculated in their questionnaire response.

Regarding the calculation of adjusted profitability in respondent CCCMC's prehearing brief at exhibit eight, staff's main concern is the mix of data sources (public data, purchaser questionnaire data, and U.S. producer questionnaire data) to calculate adjusted operating profit for the U.S. circular welded non-alloy steel pipe industry. In addition, this approach treats hot-rolled sheet as the only raw material cost incurred by U.S. producers. While hot-rolled sheet does account for the majority of raw material costs (approximately 75 percent), cold-rolled sheet and galvanized sheet account for approximately 20 and 5 percent, respectively, of overall raw material costs. Further, yield loss was not factored into

respondent CCCMC's calculations of raw material costs. Yield loss is reported at approximately 5 percent.[1]

In an attempt to address the foregoing concerns, staff calculated the profitability effects of a one quarter "inventory lag" based upon U.S. producer questionnaire data. Staff used U.S. producer data regarding purchases of hot-rolled steel, an adjustment for the hot-rolled/cold-rolled/galvanized raw material mix, and the reported average yield loss to estimate the effect upon the domestic industry's profitability for fiscal years 2003-04, January-June 2004, and January-June 2005. These results, shown in table H-1, indicate the industry's operating margins are higher in most periods absent the effects of the "inventory lag" as compared to the actual reported data in table III-8.

Table H-1
Circular welded non-alloy steel pipe: Selected results of operations of U.S. producers restated for yield loss and the cost of steel purchases in the calculation of raw material costs, fiscal years 2003-04, January-June 2004, and January-June 2005

Item	Fiscal year		January-June	
	2003	2004	2004	2005
Adjusted raw material costs (*$1,000*)[1]	443,224	675,898	316,561	381,284
Adjusted operating income (*$1,000*)	42,001	133,544	123,319	57,825
Adjusted operating margin (*percent*)	5.6	11.7	20.0	9.7

[1] Adjusted raw material costs reflect U.S. producers' reported AUVs for purchases of hot-rolled sheet lagged one quarter and adjusted for yield loss and the difference between unit values for hot-rolled sheet and total raw material costs (based on the reported averages of 75 percent hot-rolled sheet, 20 percent cold-rolled sheet, and 5 percent galvanized sheet (see footnote 1 in this appendix)). The adjusted unit values were then multiplied by U.S. producers' reported net sales quantities to estimate total raw material costs with a one quarter lag.

Source: Compiled from data submitted in response to Commission questionnaires, as well as monthly price data available from *American Metal Market* for hot-rolled, cold-rolled, and galvanized sheet.

[1] Staff interview with ***, September 20, 2005.

APPENDIX I

PURCHASE DATA

Table I-1
Circular welded non-alloy steel pipe: Purchases of domestic, Chinese, and non-subject country product, by country and by purchaser, 2000-04, January-June 2004, and January-June 2005

* * * * * * *