

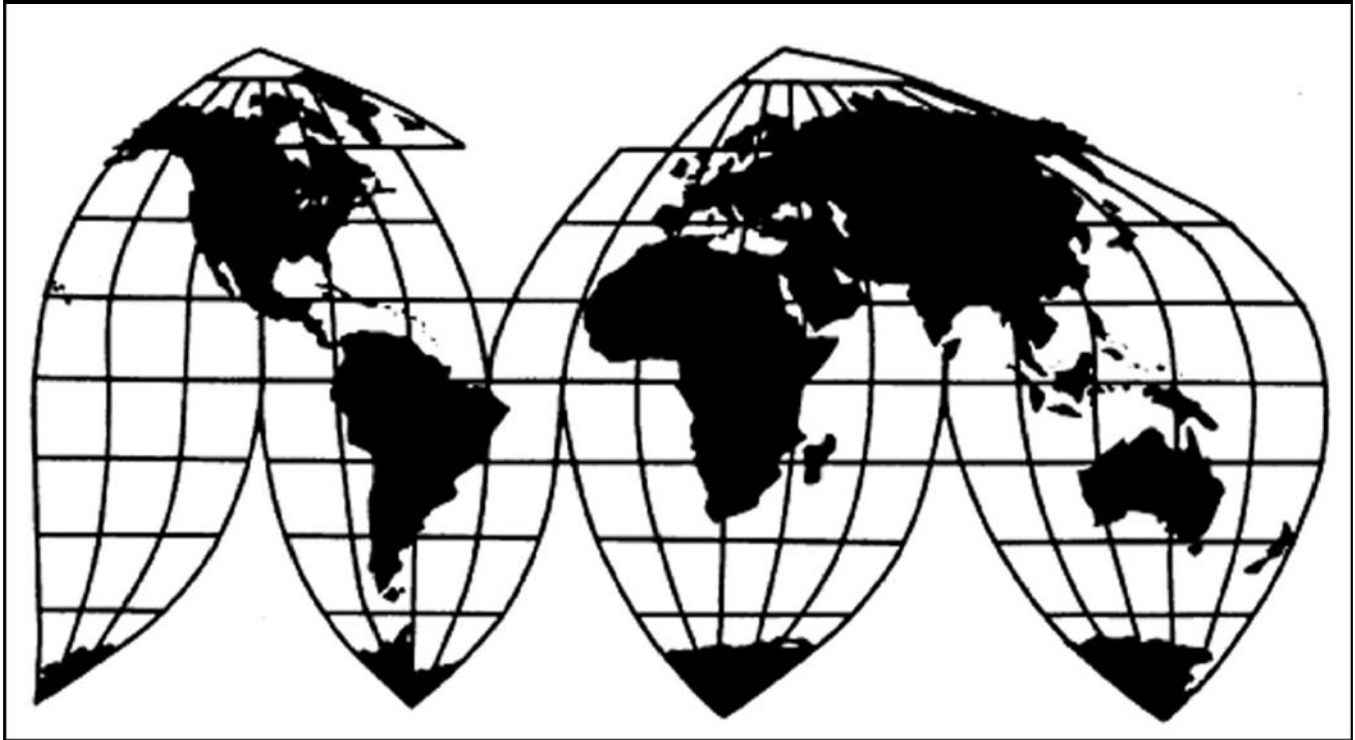
Certain Oil Country Tubular Goods from China

Investigation Nos. 701-TA-463 and 731-TA1159 (Preliminary)

Publication 4081

June 2009

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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 Nos. 701-TA-463 and 731-TA-1159 (Preliminary)

CERTAIN OIL COUNTRY TUBULAR GOODS FROM CHINA

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a) and 19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of certain oil country tubular goods (OCTG) provided for in subheadings 7304.29, 7305.20 and 7306.29 of the Harmonized Tariff Schedule of the United States. OCTG imported from China are alleged to be subsidized and sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations, have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On April 8, 2009, a petition was filed with the Commission and Commerce by Maverick Tube Corporation, Houston, TX; United States Steel Corporation, Dallas, TX; V&M Star LP, Houston, TX; V&M Tubular Corporation of America, Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp., Wheatland, PA; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, Pittsburgh, PA. Accordingly, effective April 8, 2009, the Commission instituted countervailing duty investigation No. 701-TA-463 and antidumping duty investigations No. 731-TA-1159 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of April 8, 2009 (74 FR 16009). The conference was held in Washington, DC, on April 29, 2009, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of oil country tubular goods (“OCTG”) from China that are allegedly sold in the United States at less than fair value and subsidized by the Government of China.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

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

II. BACKGROUND

The petition in these investigations was filed on April 8, 2009, by domestic producers Maverick Tube Corporation (“Maverick”), Houston, Texas; United States Steel Corporation (“U.S. Steel”), Dallas, Texas; V&M Star LP (“V&M”), Houston, Texas; V&M Tubular Corporation of America (“TCA”), Houston, Texas; TMK IPSCO (“IPSCO”), Camanche, Iowa; Evraz Rocky Mountain Steel (“Evraz”), Pueblo, Colorado; Wheatland Tube Corp. (“Wheatland”), Wheatland, Pennsylvania; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, Pittsburgh, Pennsylvania (“Steelworkers”) (collectively, “petitioners”). Representatives of the petitioners appeared at the staff conference and were represented by counsel. Respondents Tianjin Pipe (Group) Corporation; Baosteel Group Corporation; Zhejiang Jianli Group; Jiangsu Chengde Steel Tube Share Co., Ltd.; Wuxi Seamless Oil Pipe Co., Ltd.; Baotou Iron & Steel (Group) Co., Ltd.; Anhui Tianda Oil Pipe Co., Ltd.; Pangang Group Chengdu Iron & Steel Co., Ltd.; Shengli Oilfield Highland Petroleum Equipment Co., Ltd.; Jiangsu Changbao Steel Tube Co., Ltd.; Hengyang Valin Steel Tube Co., Ltd.; and Angang Steel Company Limited (collectively, “Chinese Respondents”) are foreign producers or exporters of the subject merchandise. They were represented by counsel at the staff conference and filed a joint postconference brief. The Chinese Embassy filed a postconference statement on behalf of the Ministry of Commerce, People’s Republic of China (“MOFCOM”). Postconference statements were also filed by the American Exploration & Production Council (“AXPC”), an association representing independent U.S. gas and oil exploration and production companies, and Nucor Corporation, a domestic producer of steel products that does not produce OCTG.

¹ 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chem. Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

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

There are 12 mills and processors currently producing OCTG in the United States, of which seven responded with usable data.³ These questionnaire responses account for over *** percent of domestic mill production and shipments of OCTG and cover the period from January 2006 through March 2009.⁴ The Commission received usable questionnaire responses from importers accounting for 85.7 percent of total U.S. OCTG imports from China.⁵ The Commission also received usable questionnaire responses from 14 Chinese producers/exporters, which accounted for approximately *** percent of production capacity of OCTG and related tubular products in China during 2008, nearly 54 percent of total exports of OCTG from China, and slightly more than 63 percent of exports from China to the United States, in 2008.^{6 7}

III. DOMESTIC LIKE PRODUCT

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁸ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a {w}hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁹ In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation”¹⁰

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.¹¹ No single factor is dispositive, and the Commission

³ The Commission received responses from the seven petitioning firms, while U.S. mills Paragon Industries and Tex Tube, and U.S. processors Tejas Tubulars, Texas Steel Conversion, and Tubular Services, LP provided *** data. See Confidential Staff Report, INV-GG-039 (“CR”) at I-3, III-1, and Table III-1; Public Staff Report (“PR”) at I-3, III-1, and Table III-1.

⁴ CR/PR at III-1.

⁵ CR/PR at IV-1.

⁶ CR at VII-5, PR at VII-2-3.

⁷ Commissioner Okun notes that the statute authorizes the Commission to take adverse inferences but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. See 19 U.S.C. § 1677e. She generally gives credence to the facts supplied by the participating parties and certified by them as true, but bases her decision on the evidence as a whole, and does not automatically accept participating parties’ suggested interpretations of the record evidence. Regardless of the level of participation, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. “In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive.” SAA at 869.

⁸ 19 U.S.C. § 1677(4)(A).

⁹ 19 U.S.C. § 1677(4)(A).

¹⁰ 19 U.S.C. § 1677(10).

¹¹ See, e.g., Cleo, Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); NEC Corp. v. Department of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed.

(continued...)

may consider other factors it deems relevant based on the facts of a particular investigation.¹² The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹³ Although the Commission must accept the U.S. Department of Commerce's ("Commerce") determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,¹⁴ the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁵ The Commission must base its domestic like product determination on the record in these investigations. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent domestic like product issues.¹⁶

B. Product Description

In its notices of initiation, Commerce defined the imported merchandise within the scope of the investigations as follows:

The merchandise covered by the investigation consists of certain oil country tubular goods ("OCTG"), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled), whether or not conforming to American Petroleum Institute ("API") or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are

¹¹ (...continued)

Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

¹² See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹³ Nippon, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

¹⁴ See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

¹⁵ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Cleo, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); Torrington, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

¹⁶ See, e.g., Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp. 2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon, 19 CIT at 455; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.¹⁷

OCTG are tubular steel products used in oil and gas wells and include casing and tubing of carbon and alloy steel.¹⁸ Casing is a circular pipe that serves as the structural retainer for the walls of the well with an outside diameter (O.D.) ranging from 4.5 to 20 inches. Casing is used in the well to provide a firm foundation for the drill string¹⁹ by supporting the walls of the hole to prevent caving in both during drilling and after the well is completed. After the casing is set, concrete is usually pumped between the outside of the casing and the wall of the hole to provide a secure anchor. Casing also serves as a surface pipe designed to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. It can be threaded at both ends and connected with other casing pieces with couplings or connectors and must be sufficiently strong to carry its own weight and to resist both external pressure and pressure within the well. Because the amount of open hole that can be drilled at any one time is limited, a string of concentric layers of casing, rather than a single casing, is used for deeper wells. Several sizes of casing may be set inside the well after it has been drilled, with the larger sizes set at the top of the well and the smaller sizes toward the bottom.²⁰ Casing is usually produced in accordance with API specification 5CT.²¹

Tubing is a smaller-diameter pipe (between 1.050 and 4.500 inches in O.D.), installed inside a larger-diameter casing, that is used to conduct the oil or gas to the surface through either natural flow or pumping. Substances (such as lubricant) are also pumped into the well through the tubing for well treatment. Tubing must be strong enough to support its own weight, that of the oil or gas, and that of any pumping equipment suspended on the string. Like casing, tubing is usually produced in accordance with API specification 5CT.²²

¹⁷ 74 Fed. Reg. 20671 and 74 Fed. Reg. 20678 (May 5, 2009).

¹⁸ CR at I-10, PR at I-8-9. The merchandise covered by the investigations is currently classified in the following HTSUS statistical reporting numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50. In addition, Commerce states that OCTG coupling stock covered by the investigations may also enter under the following HTSUS statistical reporting numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80. CR at I-9 n.11, PR at I-9 n.11.

¹⁹ A “drill string” consists of drill pipes, drill collars, and the drill bit, which are nonsubject merchandise, i.e., not within Commerce’s scope. CR at I-13 n.15; PR at I-9 n.15.

²⁰ CR at I-12 - I-13, PR at I-11-12.

²¹ CR at I-13, PR at I-12.

²² CR at I-13, PR at I-12.

C. Domestic Like Product Analysis

Petitioners argue that the Commission should find a single OCTG domestic like product that is co-extensive with the scope of the investigations defined by Commerce.²³ For purposes of the preliminary phase of these investigations, no Respondent has suggested an alternative to Petitioners' proposed definition.

The record indicates that all OCTG are used in the same general application, *i.e.*, the extraction of oil or natural gas. OCTG share common physical characteristics and are manufactured to the same specification, API 5CT, and may be subjected to the same additional finishing processes, such as heat treating, threading and coupling, hydrostatic testing, and cutting to length. All OCTG (*e.g.*, both casing and tubing) can be manufactured in the same facilities with the same equipment and workers and also share common channels of distribution.²⁴ Based on these similarities, and in the absence of clear dividing lines between different types of OCTG or argument for a different definition of the domestic like product, we find a single domestic like product, consisting of all OCTG, that is co-extensive with the scope of the investigations.

IV. DOMESTIC INDUSTRY

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”²⁵ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. Based on our definition of the domestic like product, we define the domestic industry as all domestic producers of OCTG.^{26 27}

V. THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS²⁸

A. Legal Standards

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.²⁹ In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the

²³ U.S. Steel Postconference Brief at 16; CR at I-10, PR at I-9; Petition at 5.

²⁴ Over 99 percent of domestically produced OCTG is sold to distributors. CR/PR at II-1.

²⁵ 19 U.S.C. § 1677(4)(A).

²⁶ CR/PR at Table III-1. Domestic producers of OCTG from which the Commission received questionnaire responses include Maverick, U.S. Steel, V&M, TCA, IPSCO, Evraz, and Wheatland, as well as the former producers that were acquired by or merged with those listed firms prior to 2009. CR/PR at Table III-2.

²⁷ We find no basis to exclude any producer from the domestic industry under the statute’s related party provision. 19 U.S.C. § 1677(4)(A). ***.

²⁸ Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. Official statistics from Commerce indicate that, from April 2008 to March 2009, which is the most recent 12-month period preceding the filing of the petition for which data were available, subject imports from China accounted for 60.0 percent of total U.S. imports of OCTG. CR at IV-9 - IV-10, PR at IV-8. The volume of subject imports is thus well above the statute’s three percent negligibility level.

²⁹ 19 U.S.C. §§ 1671b(a), 1673b(a).

domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.³⁰ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”³¹ In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.³² No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”³³

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury “by reason of” unfairly traded imports,³⁴ it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.³⁵ In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.³⁶

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.³⁷ In performing its examination, however, the Commission need not

³⁰ 19 U.S.C. § 1677(7)(B)(i). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

³¹ 19 U.S.C. § 1677(7)(A).

³² 19 U.S.C. § 1677(7)(C)(iii).

³³ 19 U.S.C. § 1677(7)(C)(iii).

³⁴ 19 U.S.C. §§ 1671b(a), 1673b(a).

³⁵ Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), aff’g 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

³⁶ The Federal Circuit, in addressing the causation standard of the statute, observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass’n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

³⁷ Statement of Administrative Action (“SAA”) on Uruguay Round Agreements Act (“URAA”), H.R. Rep. 103-316, Vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-
(continued...)

isolate the injury caused by other factors from injury caused by unfairly traded imports.³⁸ Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.³⁹ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁴⁰

Assessment of whether material injury or threat of material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject

³⁷ (...continued)

317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); accord Mittal Steel, 542 F.3d at 877.

³⁸ SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); Taiwan Semiconductor Industry Ass’n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

³⁹ S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

⁴⁰ See Nippon Steel Corp., 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

imports.”⁴¹ ⁴² Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁴³

The Federal Circuit’s decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant “other” factor was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.⁴⁴ The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission’s interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports,’” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.⁴⁵ Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S.

⁴¹ Mittal Steel, 542 F.3d at 877-78; see also id. at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination {and has} broad discretion with respect to its choice of methodology.”) citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

⁴² Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal, held that the Commission is required, in certain circumstances, relating to determinations as to present material injury, to undertake a particular kind of analysis of nonsubject imports. Mittal explains as follows:

What Bratsk held is that “where commodity products are at issue and fairly traded, price-competitive, non-subject imports are in the market,” the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

⁴³ Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 (“Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

⁴⁴ Mittal Steel, 542 F.3d at 875-79.

⁴⁵ Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.^{46 47}

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.^{48 49}

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."⁵⁰ The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.⁵¹ In making our determination, we consider all statutory threat factors that are relevant to these investigations.⁵²

⁴⁶ Commissioner Lane also refers to her dissenting views in Polyethylene Terephthalate Film, Sheet, and Strip from Brazil, China, Thailand, and the United Arab Emirates, Inv. Nos. 731-TA-1131-1134 (Final), USITC Pub. 4040 (Oct. 2008), for further discussion of Mittal Steel.

⁴⁷ To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

⁴⁸ Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

⁴⁹ We provide in the discussion of impact in section V.E. below an analysis of other factors alleged to cause any threat of material injury that likely would be experienced by the domestic industry.

⁵⁰ 19 U.S.C. § 1677(7)(F)(ii).

⁵¹ 19 U.S.C. § 1677(7)(F)(ii).

⁵² These factors are as follows:

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

(continued...)

For the reasons stated below, we find that there is a reasonable indication that the domestic industry producing OCTG is threatened with material injury by reason of subject imports of OCTG from China.

B. Conditions of Competition and the Business Cycle

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

1. Demand Considerations

Because OCTG is used in the extraction of oil and natural gas, overall demand for OCTG is closely linked to demand for those products.⁵³ Demand for OCTG is often gauged by the number of active rigs employed in the United States in oil drilling or natural gas drilling activity, primarily in natural gas drilling.⁵⁴ The record indicates that changes in the price of OCTG will likely result in only a small change in the quantity of OCTG demanded.⁵⁵

Demand for OCTG is cyclical and has experienced sharp and frequent fluctuations over the past two decades.⁵⁶ OCTG demand was exceptionally strong in 2006 and 2007, peaked in mid-2008, and

⁵² (...continued)

(V) inventories of the subject merchandise,

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

* * *

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

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

⁵³ CR at I-10, II-6, PR at I-9, II-5, V-7.

⁵⁴ CR at II-6 - II-7, II-8, PR at II-5 - II-7 (total rigs and rig permits). Demand is affected also by the depth of the active rigs, in that deeper wells require both more OCTG footage and larger diameter casing toward the well top. Id. Data on footage of oil and natural gas wells drilled between 2006 and March 2009 are shown at CR/PR at Figure II-2. The record also includes published data on consumption by OCTG operators. CR/PR at Figure II-7.

⁵⁵ The main factors contributing to the small degree of responsiveness of demand to price changes are the lack of substitutability of other products for OCTG and the small share of total drilling costs reflected by OCTG. CR at II-6, PR at II-5.

⁵⁶ The trend in OCTG demand in the United States from 1990 to the first quarter of 2009, measured by the number of operating oil and gas rigs, is shown at CR/PR at Figure II-6.

thereafter declined rapidly.⁵⁷ During the period examined in the preliminary phase of these investigations, OCTG demand measured by the number of oil and natural gas rigs increased fairly steadily, from about 1,500 active rigs at the beginning of 2006 to a peak of about 2,000 rigs in mid-2008. Rig count thereafter declined steeply, to about 1,100 rigs in March 2009.⁵⁸ The rise in demand was amplified by speculative purchases, which then contributed to the sudden fall in orders that occurred as market participants generally failed to anticipate the collapse in demand.⁵⁹

When measured by apparent U.S. consumption, U.S. OCTG demand declined from 4.70 million short tons in 2006 to 4.09 million short tons in 2007, then increased to 6.69 million short tons in 2008, for an overall increase of 42.4 percent between 2006 and 2008. Consumption was at 1.28 million short tons in interim (January-March) 2009, 3.0 percent higher than in interim (January-March) 2008, when apparent U.S. consumption was 1.24 million short tons.⁶⁰ The data on apparent U.S. consumption, however, include OCTG still being held as inventories by importers, distributors, and end users. Those inventories surged toward the end of the period examined as demand declined.⁶¹

Other indicators of future oil and natural gas production activity are expected prices for oil and natural gas, which dropped considerably toward the end of 2008. It is expected that oil and natural gas prices in the United States will remain low at least through the end of 2010.⁶² These low prices, along with the accumulated inventories mentioned above, are likely to suppress demand for OCTG in the coming months.

The weakening OCTG market is not unique to the United States. The global economic downturn has caused a decline in global demand for oil and natural gas since the third quarter of 2008.⁶³

2. Supply Conditions

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

⁵⁷ E.g., CR/PR at Figure II-3 (total rigs as indicator of demand).

⁵⁸ CR at II-8, PR at II-6; CR/PR at Figures II-3, II-4, and II-7. The rig count trend is consistent with the trend for OCTG consumption by OCTG operators, which peaked in the fall of 2008 and thereafter dropped through February 2009. CR/PR at Figure II-7. That trend is also consistent with the trend for the footage of oil and natural gas wells drilled between 2006 and March 2009, with footage peaking in 2008; the footage drilled was then lower in interim (January-March) 2009 than in the comparable period in 2008. CR/PR at Figure II-2. The rig count data are also consistent with the description of demand by domestic OCTG producers, who generally acknowledged an overall increase in demand through mid-2008 followed by a drop-off in demand beginning in October 2008 and continuing through interim 2009. CR at II-12, PR at II-10; CR/PR at Figures II-3, II-4, and II-7; Conference Transcript at 18 (Lighthizer), 66 (Shoaff), 77 (Thompson and Baldenende).

⁵⁹ Conference Transcript at 177-78 (Hausman) (noting that there was “a good deal of speculat[ive] demand” by purchasers in expectation of higher prices, and that, after rig counts fell, the “great increase in inventory led to a drop off to near zero of order books”), 76 (Baldenende) (“We did see a number of customers asking for quadruple the quantities they used to buy, for whatever opportunities they may have seen in the market.”), 157 (Jordan) (when requested OCTG product was not available, purchasers showed unusually high interest in substitute sizes and grades), 167 (Reece) (“I think all mills were caught off guard by the collapse in demand . . .”). We intend to examine these reports further in any final phase investigations.

⁶⁰ CR/PR at Table C-1.

⁶¹ CR at VII-6, II-6, PR at VII-3, II-4; CR/PR at Figure II-1 (data on inventories of importers, distributors, and end users is presented *infra*).

⁶² CR at II-12 - II-13, PR at II-10-11.

⁶³ CR at II-12, PR at II-11; CR/PR at Figure II-5.

Certain factors bear on the domestic industry's ability to respond to the sharp shifts in demand that characterize the U.S. market for OCTG. As a result of mergers and acquisitions, the domestic industry has undergone a substantial consolidation, with a relatively small number of producers now accounting for a large share of domestic production. The seven domestic producers that responded to the Commission's producers' questionnaire accounted for the large majority of domestic production and more than *** percent of U.S. mill OCTG operations,⁶⁴ and most produce OCTG in multiple locations.⁶⁵ Moreover, the record indicates that raw materials costs and direct labor jointly account for substantially more than half of the domestic industry's costs of goods sold (COGS), and that their combined share of COGS rose between 2006 and 2008.⁶⁶ These factors may suggest an increased flexibility on the part of the domestic industry to adjust production in response to changes in demand.⁶⁷ Of course, any such changes in production levels will likely impact workers through the availability of wage and job opportunities.

Domestic producers' shipments fluctuated between years and increased overall by 6.9 percent from 2006 to 2008. Domestic producers' shipments in interim 2009 were 55.6 percent lower than in interim 2008.⁶⁸

The capacity of the Chinese OCTG industry is growing.⁶⁹ The volume of subject imports increased from 725,027 short tons in 2006 to 860,711 short tons in 2007, then increased sharply to 2.20 million short tons in 2008, for an overall increase between 2006 and 2008 of 203.1 percent. Although apparent U.S. consumption was nearly unchanged when comparing interim 2009 to interim 2008, and demand was weakening noticeably, subject imports were 105.7 percent higher in interim 2009, at 577,282 short tons, than in interim 2008, when they were 280,660 short tons.⁷⁰

Nonsubject imports were supplied by many countries, including Korea, Canada, and Germany.⁷¹ Nonsubject imports initially declined from 1.20 million short tons in 2006 to 864,612 short tons in 2007, before increasing to 1.53 million short tons in 2008, for an overall increase of 27.4 percent between 2006 and 2008. Nonsubject imports were 51.1 percent higher in interim 2009, at 387,990 short tons, than in interim 2008, at 256,706 short tons.⁷²

From 2006 to 2008, the domestic industry held a larger share of the U.S. market than did either subject or nonsubject imports. In the first quarter of 2009, however, U.S. industry shipments declined so dramatically that subject and nonsubject imports each accounted for a greater share of the U.S. market for OCTG than did the domestic product.⁷³

⁶⁴ CR/PR at I-3.

⁶⁵ CR/PR at Table III-1.

⁶⁶ CR/PR at Table VI-1.

⁶⁷ In any final phase of these investigations, we will gather additional information on the relationship between the consolidation of the domestic industry, its cost structure, and its ability to respond to changes in demand.

⁶⁸ CR/PR at Table C-1.

⁶⁹ CR/PR at Table VII-5.

⁷⁰ CR/PR at Tables IV-3, C-1.

⁷¹ CR/PR at Table IV-3.

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

⁷³ See CR/PR at Table C-1.

Largely due to strong demand for OCTG prior to the fourth quarter of 2008, 5 of 7 responding domestic producers and 19 of 41 responding importers reported problems with their ability to supply OCTG during the period examined. Individual producers and importers reported declining to fill orders or placing purchasers on allocation or “controlled order entry,” particularly in 2006 and 2008, largely based on a desire not to disrupt normal lead times and production cycles.⁷⁴

The ending inventories of importers, distributors, and end users, which increased steeply in late 2008 and into 2009, account for a significant share of current available supply. U.S. importers’ end-of-period inventories increased from 184,906 short tons in 2006 to 225,402 short tons in 2007, then surged to 536,326 short tons in 2008. Importers’ inventories reached 630,340 short tons in March 2009, compared with only 219,640 short tons in March 2008.⁷⁵ Distributors’ and end users’ inventories hovered between 2.0 and 2.5 million short tons from January 2006 to June 2008, then climbed to about 3.8 million short tons in February 2009.⁷⁶ According to data presented by petitioners, distributors’ and end users’ inventories equaled less than six months of supply for extended portions of 2006 and 2008, exceeded six months of supply in 2007, and rose to a level in excess of 12 months of supply by interim 2009.⁷⁷

The respondents and petitioners differ as to why this steep inventory increase occurred. The Chinese Respondents contend that subject producers in China and U.S. importers were surprised by the sudden decline in OCTG demand in the fourth quarter of 2008. Thus, they assert that, given the substantial lag between orders and deliveries, subject imports continued to enter the United States for several months after demand began to decline at volumes that reflected the prior period of high demand, causing excess import volumes to enter inventories.⁷⁸ Petitioners contend, however, that the volume of subject imports following the drop-off in demand was well in excess of the volume the market would have required even if demand had remained at former levels.⁷⁹

Regardless of the reasons for the inventory buildup, inventories currently constitute a significant source of supply in the U.S. market.⁸⁰ The record indicates that the increase in import supply was facilitated in part by the growth in the number of importers willing to participate in the OCTG market as OCTG prices increased in response to increasing demand.⁸¹ It appears, moreover, that the increase in distributors’ and end users’ inventories occurred as market participants failed to anticipate the sudden and steep decline in demand, perhaps influenced by concerns about the reliability of future supply in light of prior supply problems, discussed above, and a desire to hedge against future price increases.⁸²

⁷⁴ CR at II-5, PR at II-3-4.

⁷⁵ CR at VII-6, PR at VII-3.

⁷⁶ CR at II-6, PR II-4; CR/PR at Figure II-1.

⁷⁷ CR at II-5, PR at II-3-4 (absolute level of OCTG inventories began to grow from mid-2008).

⁷⁸ E.g., Chinese Respondents’ Postconference Brief at 84-89.

⁷⁹ E.g., TKM IPSCO, V&M, Wheatland, Evraz, and the Steelworkers Postconference Brief at 16-19.

⁸⁰ CR at VII-6, PR at VII-3; CR at II-6, PR at II-4; CR/PR at Figure II-1.

⁸¹ Conference Transcript at 62 (Dewan) (“During the summer of 2008 . . . there were many people trading in Chinese OCTG that had been out of the OCTG market for several years and others who, to my knowledge, had never been in the OCTG business. The market became chaotic and it appeared there was unlimited supply of OCTG from China . . . available.”).

⁸² In any final phase of these investigations we will explore further the factors that may have led to the rapid and unanticipated decline in demand in 2008. We also intend to explore how the market was affected by the lag between the time that orders were placed with producers of the subject merchandise and the time those imports arrived in the U.S. market. Conference Transcript at 159 (Jordan), 166 (Reece), and 187 (Prusa).

3. Interchangeability

There is a high degree of substitutability among the domestic like product, subject imports, and nonsubject imports. A majority of responding domestic producers reported that the domestic like product, subject imports, and nonsubject imports are always interchangeable. A majority of responding importers reported that the domestic like product, subject imports, and nonsubject imports are always or frequently interchangeable.⁸³ A majority of domestic producers reported that differences among the domestic like product, subject imports, and nonsubject imports are never important, while a majority of importers reported that such differences are only sometimes or never important.⁸⁴

4. Other Conditions

Domestically produced and imported OCTG are sold mainly through distributors. More than 99 percent of domestic OCTG was sold to distributors, while more than 83 percent of U.S. imports of subject OCTG from China and more than *** percent of nonsubject imports was sold to distributors.⁸⁵

C. Likely Volume of the Subject Imports⁸⁶

We consider the likely future volume of subject imports both in absolute terms and relative to domestic consumption and production. For the reasons discussed below, the volume of subject imports is likely to decline in absolute terms from the very high levels observed toward the end of the period examined. Relative to domestic consumption and production, however, subject imports are likely to increase substantially.

Our analysis begins with trends observed over the period examined. In absolute terms, the volume of subject imports increased from 725,027 short tons in 2006 to 2,197,556 short tons in 2008, an increase of 203.1 percent. Subject imports were 105.7 percent higher in interim 2009, at 577,282 short tons, than in interim 2008, at 280,660 short tons.⁸⁷

In terms of market penetration, subject volumes increased regardless of whether demand was rising or falling. From 2006 to 2007, apparent U.S. consumption fell by 12.9 percent, whereas the volume of subject imports increased by 18.7 percent. From 2007 to 2008, apparent U.S. consumption rose by 63.5 percent, whereas the volume of subject imports increased by 155.3 percent. Apparent U.S. consumption was slightly higher in interim 2009 than in interim 2008 (an increase explained largely by expanding inventories rather than increased drilling activity), while subject imports in interim 2009 were double their interim 2008 level. As a result, the market share held by subject imports increased from 15.4 percent in 2006 to 32.8 percent in 2008, and was higher in interim 2009, at 45.2 percent, than in interim 2008, when it was 22.6 percent.⁸⁸ As subject imports' market share rose, that of the domestic

⁸³ CR/PR at Table II-2.

⁸⁴ CR/PR at Table II-3.

⁸⁵ CR/PR at II-1.

⁸⁶ Relevant to the likely volume of subject imports (19 U.S.C. § 1677(7)(F)(i)(I)), Commerce initiated a countervailing duty investigation based on 38 alleged subsidy programs, including six preferential lending programs, four equity programs, three income tax programs, three tariff and indirect tax programs, two land grants and discounts programs, five programs providing inputs for less than adequate remuneration, eight grant programs, three other regional programs, and four subsidies for foreign invested enterprises. CR at I-6 - I-7, PR at I-5 - I-6. Several of the alleged subsidies are intended to benefit exportation and, thus, to encourage exports. Id.

⁸⁷ CR/PR at Table C-1.

⁸⁸ CR/PR at Table C-1.

producers fell from 58.9 percent in 2006 to 44.2 percent in 2008. Domestic producers' market share was considerably lower in interim 2009, at only 24.4 percent, than in interim 2008, at 56.7 percent.⁸⁹

The increased volume of subject imports contributed to a sharp increase in inventories held by importers.⁹⁰ The volume of subject merchandise in importers' inventories grew from 109,861 short tons at the end of 2006 to 443,436 short tons at the end of 2008, and was higher at the end of interim 2009, at 510,785 short tons, than at the end of interim 2008, at 157,958 short tons.⁹¹ Importers' inventories of subject merchandise grew sharply during the last three quarters of 2008 and the first quarter of 2009.

The rise in the volume of subject merchandise held in importers' inventories during the period examined occurred notwithstanding a decline in the monthly volume of subject imports starting in December 2008. Subject import volumes peaked in November 2008 and declined each month thereafter through March 2009, the last month for which we have data.⁹² Although monthly subject import volumes declined during these months, in each instance the monthly volume of subject imports was nevertheless higher than in the corresponding month of the previous year, despite the facts that demand had fallen precipitously and that subject imports were building up in importers' inventories.⁹³

Respondents argue that the higher volumes of imports entered the United States notwithstanding lower demand because importers had to place orders with producers in China months before the imports' actual arrival in the U.S. market. Based on available data, however, this lag does not adequately account for the increase. Market penetration by subject imports was increasing very sharply prior to the sudden drop in demand, during periods of both rising and falling apparent U.S. consumption. Moreover, as late as March 31, 2009, the volume of orders pending with U.S. importers was substantially greater than the

⁸⁹ The ratio of subject imports to domestic production measured by quantity increased even more substantially, growing from 25.0 percent in 2006 to 34.2 percent in 2007 and 71.6 percent in 2008. The ratio of subject imports to domestic production was 174.7 percent in interim 2009 and 39.1 percent in interim 2008. CR/PR at Table IV-7.

⁹⁰ Petitioners argued that the Commission's analysis of inventories of subject merchandise should include not only those held by U.S. importers or by foreign producers in China, but also those held by purchasers. Although we will consider the merits of that argument in any final phase of these investigations, for purposes of the preliminary phase of these investigations we conclude that the record does not contain sufficient information to draw conclusions as to the size and makeup of inventories held by purchasers. See Conference Transcript at 129-34. We intend to explore this issue further in any final phase of these investigations.

⁹¹ CR/PR at Table C-1.

⁹² CR/PR at Table IV-4.

⁹³ Record evidence illustrates the dramatic decline in demand. For example, in late 2008, the number of operating oil and gas rigs in the United States declined sharply. CR/PR Figure II-6. This decrease was tied to the steep drop in crude oil and natural gas prices that began in mid-2008. CR/PR Figures II-3 and II-4. In addition, the footage of wells drilled was higher in January-March 2008 than in January-March 2009. CR/PR Figure II-2. In responses to the Commission's questionnaires, four importers indicated that OCTG demand decreased in the most recent period because oil and gas prices decreased steeply, reducing the incentives to drill and resulting in a decrease in oil and gas rig counts. CR at II-12, PR at II-10.

During the conference, witnesses for both petitioners and respondents referred to a decrease in demand that occurred in late 2008. See Conference transcript at 13 (Durling) (referring to a collapse in demand in late 2008), 64-65 (Hausman) ("the significant decline in natural gas and oil prices since the summer of 2008 has led the rig count to decline by over 50 percent"), at 66 (Shoaff) (Sooner Pipe started to see a decrease in demand early in the fourth quarter of 2008), 68 (Barnes) (TMK IPSCO saw demand decrease in the third quarter of 2008), and 159-160 (Jordan) (describing "the dramatic disappearance of demand in the fourth quarter of 2008. The collapse in drilling activity . . . was unprecedented. We went from extreme high demand to almost no demand in the blink of an eye"). Similarly, Maverick asserts that "the collapse of natural gas and oil prices, coupled with the U.S. financial crisis, have depressed current and future demand for OCTG." Maverick explains that demand fell substantially following the U.S. rig count peak in September 2008. Maverick's Postconference Brief, at 38-39. Chinese Respondent refer to "the unanticipated and sharp decline in demand in late 2008." Chinese Respondents' Postconference Brief at 84.

volume of orders booked with domestic producers.⁹⁴ Although additional record data might have aided our evaluation of Respondents' assertions, the information currently available contradicts those assertions by indicating that the market penetration of subject imports continued to increase notwithstanding lower demand and irrespective of lags associated with trans-Pacific shipping.

In addition to this examination of the most recent trends, we have analyzed the likely future volume of imports in the context of expected demand for OCTG in the U.S. market over the next six to twelve months. As noted previously, demand for OCTG fell abruptly in late 2008 and is projected to remain at much lower levels for the imminent future. Because of lower projected demand, high inventory levels, and a sharply reduced volume of booked orders, we believe that the absolute volume of purchases will be substantially lower in the imminent future than it was during the period examined.

As we consider the likely volume of subject imports in this market environment, we observe that the likely available supply from China will be very high. China has been the world's leading OCTG producer during the period examined in these investigations.⁹⁵ Chinese producers have substantial capacity, much of which is unused and could be used to increase production for export to the United States. Chinese producers' capacity increased from 5.58 million short tons in 2006 to 5.80 million short tons in 2007 and even more strongly, to 7.13 million short tons, in 2008.⁹⁶ The Chinese industry's capacity was higher in interim 2009, at 1.91 million short tons, than in interim 2008, at 1.58 million short tons.⁹⁷ Thus, the Chinese industry has demonstrated an ability to increase capacity substantially in a short period of time. In fact, Chinese producers report an intention to increase capacity further by 2010.⁹⁸

Chinese producers also reported that their production increased from 4.52 million short tons in 2006 to 4.62 million short tons in 2007, increased again to 5.89 million short tons in 2008, and was higher in interim 2009, at 1.47 million short tons, than in interim 2008, at 1.21 million short tons.⁹⁹ Accordingly, 17.4 percent of the Chinese producers' capacity was unused in 2008, meaning that, just from existing 2008 capacity, these producers would be able to increase production for export to the United States by 1.24 million short tons, a total equivalent to 56.3 percent of U.S. imports of OCTG from China in 2008.¹⁰⁰

The record also indicates that Chinese OCTG producers are export oriented. In fact, China has been the world's leading OCTG exporter in recent years,¹⁰¹ and Chinese producers' exports accounted for as much as 37.9 percent of their total shipments during the period examined.¹⁰² The Chinese OCTG industry's growing reliance upon export markets is highlighted by the increase in China's OCTG trade surplus by approximately 2.4 million tons, to 4.1 million tons, in 2008.¹⁰³ Moreover, U.S. importers report that they ***.¹⁰⁴

⁹⁴ CR/PR at Tables III-6 and VII-7.

⁹⁵ CR/PR at Table VII-1.

⁹⁶ CR/PR at Table VII-4.

⁹⁷ CR/PR at Table VII-4.

⁹⁸ CR/PR at Table VII-4.

⁹⁹ CR/PR at Table VII-4.

¹⁰⁰ CR/PR at Tables VII-4, C-1. Chinese producers forecast that they will increase their OCTG production in 2010 over the level they forecast for 2009. CR/PR at Table VII-4.

¹⁰¹ CR/PR at Table VII-11.

¹⁰² CR/PR at Table VII-4. Chinese producers forecast that they will increase their total exports and their exports to the United States in 2010 over the levels expected for 2009. CR/PR at Table VII-4.

¹⁰³ CR/PR at Table VII-11.

¹⁰⁴ CR/PR at Table VII-7.

Moreover, production facilities in China that are currently used to produce other pipe products have the potential to be shifted to production of OCTG. In that regard, Chinese producers report that ***.¹⁰⁵ The Chinese producers view the U.S. OCTG market as highly attractive, and thus have an incentive to shift production to OCTG. This attractiveness is highlighted by the steep increase in subject imports over the period examined, as well as the increase in the share of Chinese producers' total exports accounted for by exports to the United States, from 9.5 percent in 2006 to 23.1 percent in 2009.¹⁰⁶ Furthermore, Chinese welded pipe producers already have an incentive to shift production to OCTG to avoid countervailing and antidumping duties in the United States on welded standard pipe and welded line pipe.¹⁰⁷

Chinese producers also would have an incentive to shift exports of OCTG from certain other markets because of trade restrictions in those markets. The Canadian Government imposes antidumping and countervailing duty remedies on seamless OCTG casing from China. The EU imposes antidumping duties on welded pipe, excluding welded OCTG, from China and is currently conducting an antidumping duty investigation on seamless pipe, including OCTG, from China.¹⁰⁸ In addition, the global financial crisis and reduced global demand for oil and gas consumption¹⁰⁹ have the effect of limiting the extent to which the Chinese home market and third country markets will be able to consume Chinese OCTG.

Chinese producers' inventories would also permit them to increase exports to the United States substantially. Chinese producers' end-of-period inventories increased from 270,996 short tons in 2006 to 360,106 short tons in 2008 and were 405,592 short tons in interim 2009 compared with 280,109 short tons in interim 2008. The Chinese producers' interim 2009 inventories thus exceeded domestic producer's shipments, which were 312,046 short tons, by 30.0 percent.¹¹⁰

Despite the large and increasing supply of subject merchandise, and Chinese producers' incentive and ability to ship larger quantities, we find that, due to lower demand and high inventory levels, the absolute volume of subject imports from China will likely decline in the imminent future from the very high levels observed toward the end of the period examined. Relative to domestic consumption and production, however, subject imports will likely increase substantially in the imminent future. As noted above, subject imports increased in market share in the period examined, regardless of whether apparent U.S. consumption rose or fell. Available record data indicate that the market penetration of subject imports will continue to increase, given that monthly subject import levels after November 2008 remained higher than in the corresponding months of the previous year and that orders for subject merchandise pending with importers are far greater than those booked with domestic producers.

Thus, for purposes of the preliminary phase of these investigations, we find a reasonable indication that subject import volume is likely to be significant within an imminent time frame, both in absolute terms and relative to consumption and production in the United States, and that the increase in subject imports' market share will be substantial.

D. Likely Price Effects of the Subject Imports

¹⁰⁵ See CR/PR at Table VII-3 nn. 1, 3-8, 11-13 (***).

¹⁰⁶ CR/PR at Table VII-4.

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

¹⁰⁸ CR at VII-12 - VII-13/PR at VII-6. A safeguard remedy in effect in Ukraine covers seamless OCTG casing from China. CR at VII-13/PR at VII-6, n.23.

¹⁰⁹ E.g., CR at II-12, PR at II-10.

¹¹⁰ CR/PR at Table VII-6.

In assessing the likely price effects of the subject imports, we consider pricing developments during the period examined and likely developments in the imminent future in light of key conditions of competition in the U.S. market. The record indicates that subject imports from China and domestic OCTG are highly substitutable, and most sales of both the domestic like product and subject imports are made to distributors.¹¹¹

The Commission collected quarterly pricing data for six OCTG products.¹¹² Usable pricing data were provided by four domestic producers, accounting for *** percent of domestic producers' shipments during the period examined, and twenty-five importers, accounting for *** percent of shipments of subject imports during the period.¹¹³ Subject imports undersold the domestic like product in 48 of 66 quarterly pricing comparisons by margins ranging from 1.0 percent to 35.6 percent.¹¹⁴

For each of the six products, the prices of both the Chinese and domestic products were substantially higher at the end of the period examined than at the beginning, most notably toward the end of the period.¹¹⁵ The subject imports undersold the domestic like product, generally by fairly high margins, in each comparison in the final two quarters of the period (*i.e.*, October-December 2008 and January-March 2009), during which time demand was declining precipitously.¹¹⁶ Given that subject imports undersold domestic OCTG to a significant degree throughout the period, and particularly toward the end of the period, we find that underselling is likely to be significant in the imminent future.

In addition, given that the volume of subject imports in the imminent future is likely to continue to increase substantially, in relative terms, we find that subject imports are entering at prices that are likely to have significant adverse effects on U.S. prices and will likely increase demand for subject imports relative to domestic consumption and production.¹¹⁷ Accordingly, we find that subject imports of

¹¹¹ CR/PR at Tables II-1, II-2, II-3.

¹¹² CR at V-5, PR at V-4.

¹¹³ CR at V-5, PR at V-4.

¹¹⁴ CR/PR at Tables V-2 - V-7, V-19.

¹¹⁵ CR/PR at Tables V-2 - V-7.

¹¹⁶ *Id.*

¹¹⁷ We recognize that the prices for U.S.-produced OCTG increased rapidly in the third quarter of 2008, before leveling off in the fourth quarter of 2008 and declining in the first quarter of 2009. CR/PR at Tables V-2 - V-7. However, we attribute the rise in OCTG prices in 2008 to sharp increases in demand and in OCTG raw materials costs. The conditions that drove prices higher in 2008 are not likely to persist into the imminent future. Demand, whether measured by rig count (CR/PR at Figures II-3, II-4, and II-6), footage drilled (CR/PR at Figure II-2), operator consumption (CR/PR at Figure II-7) or apparent U.S. consumption (CR/PR at Table IV-5 and Figure IV-1), increased significantly in 2008 relative to 2006 and 2007, but by most measures has already fallen dramatically in early 2009 (CR/PR at Figures II-2, II-3, II-4, II-6, II-7) and is likely to remain at depressed levels (CR/PR at Figure II-5 (predicted Texas crude oil and average wellhead natural gas prices through 2010), Figures II-3 and II-4 (total rig permits)). Consistent with these declines, the peak levels of OCTG on order with U.S. mills in March and June 2008 (more than 650,000 short tons) collapsed to under 60,000 short tons as of March 2009 (CR/PR at Table III-6), even though the domestic industry's production level in the first quarter of 2009 was less than half that of the first quarter of 2008 (CR/PR at Table III-3). Meanwhile, distributor and user inventory levels soared (CR/PR at Figure II-1) just as the largest influx of imported OCTG began to enter the U.S. market. That is, total U.S. imports reached levels of nearly 450,000 to nearly 550,000 short tons during September 2008 through January 2009 and remained elevated even during February and March 2009. U.S. imports from China alone ranged from nearly 275,000 short tons to more than 350,000 short tons per month during the period from September 2008 to January 2009 and accounted for the majority of U.S. imports throughout the most recent two quarters for which data are available. CR/PR at Table IV-4. In a similar fashion, key raw material prices have dropped dramatically since peaking in mid-2008. CR/PR at Figures V-1 (ferrous scrap prices) and V-2 (hot-rolled coil prices). Accordingly, given the absence of the remarkable market conditions of 2008, we find adverse price effects to be likely in the face of a significant volume

(continued...)

OCTG from China are likely to have a significant adverse impact on the domestic producers' prices in the imminent future.

E. Likely Impact of the Subject Imports on the Domestic Industry¹¹⁸

Between 2006 and 2008, the domestic OCTG industry registered gains in many performance indicators, including production, shipments, and employment.¹¹⁹ The extent of the gains (generally between 5 and 8 percent), however, was well below the 42 percent increase in apparent domestic consumption from 2006 to 2008; this was because the volume of subject imports doubled over this period and captured 14 percentage points of market share from the domestic industry.¹²⁰ The industry earned solid profits each year from 2006 to 2008.¹²¹

As described above, U.S. market demand for OCTG plunged starting in the latter part of 2008, and remained anemic in first-quarter 2009. By contrast, subject import volume continued at high levels in first-quarter 2009, reaching a level twice that for first-quarter 2008.¹²² As a result, many domestic industry indicators were drastically lower in the first quarter of 2009 than in the first quarter of 2008. Domestic production was 54.0 percent lower, capacity utilization was 41.3 percentage points lower, U.S. shipments were 55.6 percent lower, domestic producers' market share was 32.2 percentage points lower, the number of production workers was 26.4 percent lower, hours worked were 37.6 percent lower, and

¹¹⁷ (...continued)
of subject imports from China in 2009.

¹¹⁸ The alleged subsidies that formed the basis for Commerce's initiation of the countervailing duty investigation are summarized above and are set forth in detail at CR at I-6 - I-7, PR at I-5- I-6. Commerce initiated the antidumping duty investigation based on estimated dumping margins of 36.94 to 99.14 percent for OCTG from China. CR at I-9, PR at I-8.

¹¹⁹ Production was 2.90 million short tons in 2006, 2.51 million short tons in 2007, and 3.07 million short tons in 2008. Domestic shipments were 2.77 million short tons in 2006, 2.37 million short tons in 2007, and 2.96 million short tons in 2008. Production related workers totaled 5,263 in 2006, 5,240 in 2007, and 5,585 in 2008. Hours worked totaled 11.41 million in 2006, 10.84 million in 2007, and 12.23 million in 2008. Certain other factors were as follows: production capacity was 4.04 million tons in 2006, 3.89 million tons in 2007 and 4.10 million tons in 2008; capacity utilization was 71.8 percent in 2006, 64.7 percent in 2007, 74.8 percent in 2008; productivity (tons per 1,000 hours) was 254.4 in 2006, 232.0 in 2007, and 250.8 in 2008. CR/PR at Table C-1.

¹²⁰ Subject imports' market share grew from 15.4 percent in 2006 to 21.0 percent in 2007 and 32.8 percent in 2008. U.S. producers' share of apparent U.S. consumption declined from 58.9 percent in 2006 to 57.9 percent in 2007 and 44.2 percent in 2008. CR/PR at Table IV-6

¹²¹ Operating profit was \$1.18 billion in 2006, \$585 million in 2007 and \$2.07 billion in 2008. The domestic industry's ratio of operating income to net sales was 27.5 percent in 2006, 17.1 percent in 2007, and 32.3 percent in 2008. CR/PR at Table VI-1.

¹²² Subject import volume was 280,660 tons in first-quarter 2008 and 577,282 tons in first-quarter 2009. CR/PR at Table IV-2.

productivity was 26.2 percent lower.¹²³ Tellingly, the volume of orders for OCTG deliveries on the books of domestic producers was 90 percent lower in first-quarter 2009 than in first-quarter 2008.^{124 125}

In contrast to the above indicators, the domestic industry's operating returns remained positive in first-quarter 2009. The industry benefitted from unit sales values that were much higher in first-quarter 2009 than in first-quarter 2008, despite a much lower volume of sales in the later quarter.^{126 127 128 129}

¹²³ Production was 717,756 short tons in interim 2008 and 330,514 short tons in interim 2009. Capacity utilization was 72.2 percent in interim 2008 and 30.9 percent in interim 2009. U.S. shipments were 702,542 short tons in interim 2008 and 312,046 short tons in interim 2009. The number of production workers was 5,214 in interim 2008 and 3,836 in interim 2009. Hours worked were 2.85 million in interim 2008 and 1.78 million in interim 2009. Productivity (tons per 1,000 hours worked) was 251.6 in interim 2008 and 185.8 in interim 2009. CR/PR at Table C-1.

¹²⁴ Order book volume was 662,866 at the end of first-quarter 2008 and 58,504 tons at the end of first-quarter 2009. CR/PR at Table III-6.

¹²⁵ The domestic industry presented evidence concerning additional declines in the rate of its operations since the first quarter of 2009, showing that many OCTG facilities are currently virtually shut down. The record includes numerous references to the partial, and in some instances, total, idling of domestic OCTG mills. See CR/PR at Table III-1, Table III-2, Appendix F; CR at III-6 n.5, PR at 5 n.5. During the conference, witnesses for the Steelworkers, U.S. Tubular, and V&M described the reductions in operations that they have experienced at their facilities. Conference transcript at 22-23 (Hart), 32 (Horan), and 93 (Herland). Petitioners provided further information on the shutdowns and layoffs that have occurred since the first quarter of 2009. TMK IPSCO, V&M, Wheatland, Evraz, and the Steelworkers Postconference brief at 138, and Maverick's postconference brief at 6. Finally, U.S. Steel detailed shutdowns and layoffs at its own mills (shutdown of two facilities and a mill at another facility) and at TMK IPSCO (layoffs at two facilities totaling *** workers), V&M (layoffs at three plants, totaling *** workers), Wheatland (up to *** percent of its workforce on layoff), Maverick (layoffs of *** employees), and Evraz (closed mill for the month of April, layoffs of *** workers). U.S. Steel's Postconference Brief at 2-3. This evidence is consistent with evidence concerning market conditions in first-quarter 2009, although we have placed primary weight on indicators bearing directly on conditions in the industry through the first quarter of 2009. While we ordinarily decline to place great weight in our analysis on data for a single quarter, we have greater confidence in the quarterly data here because both petitioners and respondents generally agreed that market conditions changed sharply in late 2008.

¹²⁶ Operating income was \$126.8 million in first-quarter 2008 and \$202.9 million in first-quarter 2009. CR/PR at Table VI-1. Domestic prices for most products declined from fourth-quarter 2008 to first-quarter 2009, but remained at levels well above prices in first-quarter 2008. CR/PR at Figure V-4. Domestic producers assert that many first-quarter 2009 sales were made at prices agreed to during 2008 when demand conditions were much stronger. E.g., U.S. Steel Postconference Brief at 4.

We note that there were certain significant differences in the performance of the welded and seamless OCTG portions of the domestic industry, particularly with regard to financial performance in some periods. CR/PR at Tables C-2, C-3. In any final phase of these investigations, we intend to explore the reasons for, and significance of, any differences in the circumstances and experience of welded and seamless producers.

¹²⁷ Chairman Aranoff, Vice Chairman Pearson, and Commissioner Okun do not find that the domestic industry as a whole is currently in a vulnerable state. Although workers in the domestic OCTG industry have borne a very heavy burden in terms of both lost jobs and reduced hours, the industry as a whole has maintained strong financial returns by curtailing production while selling on very favorable pricing terms. The domestic industry's operating income increased by 74.5 percent from 2006 to 2008 and was higher in interim 2009 than in interim 2008. The domestic industry's operating income increased from \$1.2 billion in 2006 to \$2.1 billion in 2008 and was \$202.9 million in interim 2009 after having been \$126.8 million in interim 2008. The profitability of the U.S. industry reached record levels in 2008 even as subject (and nonsubject) import volumes were at their highest level. Similarly, the domestic industry's operating income margin increased from 27.5 percent in 2006 to 32.3 percent in 2008; it was 25.0 percent in interim 2009 after having been 13.5 percent in interim 2008. U.S. prices rose significantly during the period examined. The average unit values of U.S. producers' U.S. shipments remained very

(continued...)

For purposes of these preliminary phase investigations, we find that there likely will be an imminent causal nexus between the subject imports and an adverse impact on the domestic industry. This conclusion is based on the declines in the industry's trade and employment data discussed above, our finding that the volume of subject imports is likely to increase significantly in relative terms in an imminent time frame, and our conclusion that underselling by subject imports will likely continue and will likely have significant adverse effects on domestic prices. Significant volumes of subject imports at low prices are likely to affect negatively the industry's sales volumes and prices, thereby reducing the industry's levels of production, employment, and profitability.

We have considered whether there are other factors that will likely have an imminent impact on the domestic industry. We recognize that the decline in OCTG demand played a role in the downturn in the domestic industry's performance near the end of the period examined. Moreover, as discussed above, demand is likely to remain at suppressed levels in the imminent future. In any final phase of these investigations, we intend to further explore the role that any changes in demand would play in the performance of the domestic industry in order to ensure that we do not attribute to subject imports the effects of any future adverse demand conditions.

We also recognize that nonsubject imports were a factor in the U.S. market during the period examined. The volume of nonsubject imports was sharply higher in first-quarter 2009 than in first-quarter 2008.¹³⁰ Nevertheless, nonsubject imports were priced substantially higher than subject imports, did not increase in absolute or relative terms to the same degree as did subject imports, and held a smaller share of the market than did the subject imports at the end of the period examined.¹³¹

¹²⁷ (...continued)

high in the most recent period, January-March 2009. Moreover, the domestic industry has been able to increase its prices to cover increases in costs.

We are not unmindful that, in light of current economic conditions, the domestic industry is unlikely to perform as well in the near term as it did during the period examined. Nonetheless, given the industry's robust performance throughout the period, we do not find that the domestic industry is currently in a vulnerable state. For purposes of these preliminary phase determinations, however, we find a reasonable indication that the continued or increased presence of subject imports at low prices will likely result in material injury to the domestic industry unless antidumping and countervailing duty orders are issued.

¹²⁸ Commissioners Lane, Williamson, and Pinkert note that, notwithstanding the strong performance of the industry through 2008, it has experienced a severe curtailment of operations in 2009. First quarter 2009 data, confirmed by more recent information, reveal an industry on the verge of shutting down due to lack of demand for its OCTG products. Thus they find that the domestic industry is in a weakened state and therefore vulnerable to the likely volume and price effects of subject imports.

¹²⁹ Commissioner Lane notes that the industry's financial performance, although apparently still strong in interim 2009, has dropped significantly from overall 2008 levels and even more significantly when measured against the last three quarters of 2008. Moreover, even if the domestic industry's financial performance is viewed as good, the same cannot be said for the condition of workers in the domestic industry. The number of production workers dropped significantly in 2009 and the hours worked have dropped even more, indicating fewer payroll hours for those workers that remained employed.

¹³⁰ See CR/PR at Table C-1.

¹³¹ CR/PR at Table C-1. Based on price comparisons involving specific OCTG products, nonsubject imports were priced lower than the domestic like product in 42 quarterly comparisons and higher than the domestic like product in 68 quarterly comparisons. Compare CR/PR at Tables E-1- E-6 with CR/PR Tables V-1 - V-7. The average unit value ("AUV") for nonsubject imports was consistently higher than the AUV for subject imports. CR/PR at Tables C-1, C-2 (seamless only), C-3 (welded). We note that these AUV differences may reflect product mix differences to some extent, but note also that such potential differences are absent from the quarterly price comparison data, which show the prices for the nonsubject imports to be generally higher than the subject import prices. Compare CR/PR at Tables E-1- E-6 with CR/PR at Tables V-1 - V-7.

Consequently, we conclude for purposes of the preliminary phase of these investigations that there is a likely imminent causal nexus between the subject imports and an adverse impact on the domestic industry, which demonstrates a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports.

CONCLUSION

For the above-stated reasons, and based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that the domestic industry producing OCTG is threatened with material injury by reason of subject imports from China that are allegedly sold in the United States at less than fair value, and that are allegedly subsidized by the Government of China.

PART I: INTRODUCTION

BACKGROUND

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

Effective date	Action
April 8, 2009	Petition filed with Commerce and the Commission; institution of Commission investigations (74 FR 17514, April 15, 2009)
April 29, 2009	Commission’s conference ¹
May 5, 2009	Commerce’s notices of initiation (74 FR 20671 and 74 FR 20678)
May 22, 2009	Scheduled date for the Commission’s vote
May 26, 2009	Commission determination transmitted to Commerce
June 2, 2009	Commission views transmitted to Commerce

¹ A list of witnesses appearing at the conference is presented in app. B.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

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

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and . . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

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

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

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

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.

...
In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether . . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

...
In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to

...
(I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of the Report

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

U.S. MARKET SUMMARY

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

Apparent U.S. consumption of OCTG totaled approximately 6.7 million short tons (\$11.5 billion) in 2008. Seven firms, accounting for the large majority of overall U.S. production and more than *** percent of U.S. mill OCTG operations, responded to the Commission's request for data. U.S. producers' U.S. shipments of OCTG totaled 3.0 million short tons (\$6.1 billion) in 2008, and accounted for 44.2 percent of apparent U.S. consumption by quantity and 53.2 percent by value. U.S. imports from China totaled 2.2 million short tons (\$2.8 billion) in 2008 and accounted for 32.8 percent of apparent U.S. consumption by quantity and 24.4 percent by value. U.S. imports from nonsubject sources totaled 1.5 million short tons (\$2.6 billion) in 2008 and accounted for 22.9 percent of apparent U.S. consumption by quantity and 22.4 percent by value.

SUMMARY DATA AND DATA SOURCES

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

PREVIOUS AND RELATED INVESTIGATIONS

Antidumping and Countervailing Duty Investigations

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

Table I-2
OCTG: Previous and related investigations, 1984-2009

Original Investigation				Commission reviews		Current status
Date ¹	Number	Country	Outcome	Dates ¹	Outcomes	
1984	701-TA-215	Brazil	Affirmative	-	-	ITA revoked 8/21/85
1984	701-TA-216	Korea	Negative	-	-	-
1984	701-TA-217	Spain	Affirmative	-	-	ITA revoked 7/31/85
1984	731-TA-191	Argentina	Negative	-	-	-
1984	731-TA-192	Brazil	Affirmative ²	-	-	Petition withdrawn
1984	731-TA-193	Korea	Affirmative ²	-	-	Petition withdrawn
1984	731-TA-194	Mexico	Affirmative ²	-	-	Petition withdrawn
1984	731-TA-195	Spain	Affirmative	-	-	ITA revoked 6/30/85
1985	701-TA-240	Austria	Affirmative ²	-	-	Petition withdrawn
1985	701-TA-241	Venezuela	Affirmative ²	-	-	Petition withdrawn
1985	701-TA-255	Canada	Affirmative	-	-	ITA revoked 7/10/91
1985	701-TA-256	Taiwan	Negative	-	-	-
1985	731-TA-249	Austria	Affirmative ²	-	-	Petition withdrawn
1985	731-TA-251	Venezuela	Affirmative ²	-	-	Petition withdrawn
1985	731-TA-275	Argentina	Affirmative ²	-	-	Terminated
1985	731-TA-276	Canada	Affirmative	1999 / -	Negative / -	Revoked
1985	731-TA-277	Taiwan	Affirmative	1999 / -	Negative / -	Revoked
1986	701-TA-271	Israel	Affirmative	-	-	ITA revoked 3/1/93
1986	731-TA-318	Israel	Affirmative	-	-	ITA revoked 7/27/99
1995	701-TA-363	Austria	Negative	-	-	-
1995	701-TA-364	Italy	Affirmative	2001	Affirmative	ITA revoked 12/26/06
1995	731-TA-711	Argentina	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-712	Austria	Negative	-	-	-
1995	731-TA-713	Italy	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-714	Japan	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-715	Korea	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-716	Mexico	Affirmative	2001 / 2006	Affirmative/Negative	Revoked
1995	731-TA-717	Spain	Negative	-	-	-

Table continued on next page.

Table I-5 – Continued
OCTG: Previous and related investigations, 1984-2009

Original Investigation				Commission reviews		Current status
Date ¹	Number	Country	Outcome	Dates	Outcomes	
2002	701-TA-428	Austria	Negative ²	-	-	-
2002	731-TA-992	Austria	Negative ²	-	-	-
2002	731-TA-993	Brazil	Negative ²	-	-	-
2002	731-TA-994	China	Negative ²	-	-	-
2002	731-TA-995	Colombia	(³)	-	-	-
2002	731-TA-996	France	Negative ²	-	-	-
2002	731-TA-997	Germany	Negative ²	-	-	-
2002	731-TA-998	India	Negative ²	-	-	-
2002	731-TA-999	Indonesia	Negative ²	-	-	-
2002	731-TA-1000	Romania	Negative ²	-	-	-
2002	731-TA-1001	South Africa	Negative ²	-	-	-
2002	731-TA-1002	Spain	Negative ²	-	-	-
2002	731-TA-1003	Turkey	Negative ²	-	-	-
2002	731-TA-1004	Ukraine	Negative ²	-	-	-
2002	731-TA-1005	Venezuela	Negative ²	-	-	-

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

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

Safeguard Investigations

Following receipt of a request from the Office of the United States Trade Representative ("USTR") on June 22, 2001, the Commission instituted investigation No. TA-201-73, *Steel*, under section 202 of the Trade Act of 1974³ to determine whether certain steel products, including seamless and welded OCTG,⁴ were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industries producing articles like or directly

³ 19 U.S.C. § 2252.

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

competitive with the imported article.⁵ On July 26, 2001, the Commission received a resolution adopted by the Committee on Finance of the U.S. Senate (“Senate Finance Committee” or “Committee”) requesting that the Commission investigate certain steel imports under section 201 of the Trade Act of 1974.⁶ Consistent with the Senate Finance Committee’s resolution, the Commission consolidated the investigation requested by the Committee with the Commission’s previously instituted investigation No. TA-201-73.⁷ On December 20, 2001, the Commission issued its determinations and remedy recommendations. The Commission made a negative determination with respect to OCTG.⁸

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged Subsidies

On May 5, 2009, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on OCTG from China.⁹ The following government programs in China are involved:

I. Preferential Loans

1. Policy Loans
2. Export Loans
3. Treasury Bond Loans to Northeast
4. Preferential Loans for State-Owned Enterprises (“SOEs”)
5. Preferential Loans for Key Projects and Technologies
6. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program

II. Equity Programs

1. Debt-to-equity Swap for Pangang
2. Equity Infusions
3. Exemptions for SOEs from Distributing Dividends to the State
4. Loan and Interest Forgiveness for SOEs

III. Tax Benefit Programs

1. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment
2. Preferential Income Tax Policy for Enterprises in the Northeast Region
3. Forgiveness of Tax Arrears for Enterprises in the Old Industrial Bases of Northeast China

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

⁶ 19 U.S.C. § 2251.

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

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

⁹ *Certain Oil Country Tubular Goods from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 74 FR 20678, May 5, 2009.

IV. Tariff and Indirect Tax Programs

1. Stamp Exemption on Share Transfers Under Non-Tradable Share Reform
2. Value Added Tax (“VAT”) and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program
3. Export Incentive Payments Characterized as “VAT Rebates”

V. Land Grants and Discounts

1. Provision of Land Use Rights for Less Than Adequate Remuneration to Huludao
2. Provision of Land to SOEs for Less Than Adequate Remuneration

VI. Provision of Inputs for Less Than Adequate Remuneration

1. Provision of Hot-Rolled Steel for Less Than Adequate Remuneration
2. Provision of Steel Rounds for Less Than Adequate Remuneration
3. Provision of Electricity for Less Than Adequate Remuneration
4. Provision of Low-Cost Coke through the Imposition of Export Restraints
5. Provision of Coking Coal for Less than Adequate Remuneration

VII. Grant Programs

1. The State Key Technology Project Fund
2. Foreign Trade Development Fund (Northeast Revitalization Program)
3. Export Assistance Grants
4. Program to Rebate Antidumping Duties
5. Subsidies for Development of Famous Export Brands and China World Top Brands
6. Sub-Central Government Programs to Promote Famous Export Brands and China World Top Brands
7. Grants to Loss-making SOEs
8. Export Interest Subsidies

VIII. Other Regional Programs

1. Subsidies Provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area
2. Five Points, One Line Program
3. High-tech Industrial Development Zones

IX. Subsidies for Foreign Invested Enterprises (“FIEs”)

1. “Two Free, Three Half” Program
2. Local Income Tax Exemption and Reduction Programs for “Productive” Foreign-Invested Enterprises
3. Preferential Tax Programs for Foreign-Invested Enterprises Recognized as High or New Technology Enterprises
4. Reduced Income Tax Rates for Export-Oriented FIEs

Alleged Sales at LTFV

On May 5, 2009, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on OCTG from China.¹⁰ Commerce has initiated an antidumping duty investigation based on estimated dumping margins of 36.94 to 99.14 percent for OCTG from China.

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce has defined the scope of these investigations as follows:

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

Tariff Treatment

The imported OCTG subject to these investigations are classified in the 2009 Harmonized Tariff Schedule of the United States ("HTSUS") in subheadings 7304.29, 7305.20, and 7306.29.¹¹ The HTSUS statistical reporting numbers are provided for convenience and customs purposes only; the written

¹⁰ *Oil Country Tubular Goods From the People's Republic of China: Initiation of Antidumping Duty Investigation*, 74 FR 20671, May 5, 2009.

¹¹ The tariff schedule concerning OCTG appears in appendix D. As of February 3, 2007, the HTS classifies stainless steel separate from "alloy" steel for casing and tubing. The basic structure of the classification system was maintained but there was renumbering of the six digit subheadings to maintain separate classifications of stainless steel and other alloy steel. The merchandise covered by the investigations is currently classified in the following HTSUS statistical reporting numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50. In addition, Commerce states that OCTG coupling stock covered by the investigations may also enter under the following HTSUS statistical reporting numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80.

description of the scope of the investigation is dispositive. The column 1-general (most-favored-nation) rate of duty for these statistical reporting numbers, applicable to products subject to the investigations, is free.

THE PRODUCT¹²

No issues with respect to domestic product that is “like” the subject merchandise have been raised in these investigations. The petitioner proposes a domestic like product consisting of oil country tubular goods other than drill pipe and high-chromium casing and tubing; this is consistent with the scope.¹³ Respondents have not objected to this definition of the domestic like product.

Description and Applications

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

Casing is a circular pipe that serves as the structural retainer for the walls of the well with an outside diameter (O.D.) ranging from 4.5 to 20 inches.¹⁴ Casing is used in the well to provide a firm foundation for the drill string¹⁵ by supporting the walls of the hole to prevent caving in both during drilling and after the well is completed. After the casing is set, concrete is usually pumped between the outside of the casing and the wall of the hole to provide a secure anchor. Casing also serves as a surface pipe designed to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. Casing must be sufficiently strong to carry its own weight and to resist both external pressure and pressure within the well. Casing can be threaded at both ends and connected with other casing pieces with couplings or connectors. Because the amount of open hole that can be drilled at any one time is limited, a string of concentric layers of casing rather than a single casing is used for larger wells. Several sizes of casing may be set inside the well after it has been drilled, with the larger sizes set at the top of the well and the smaller sizes set toward the bottom.

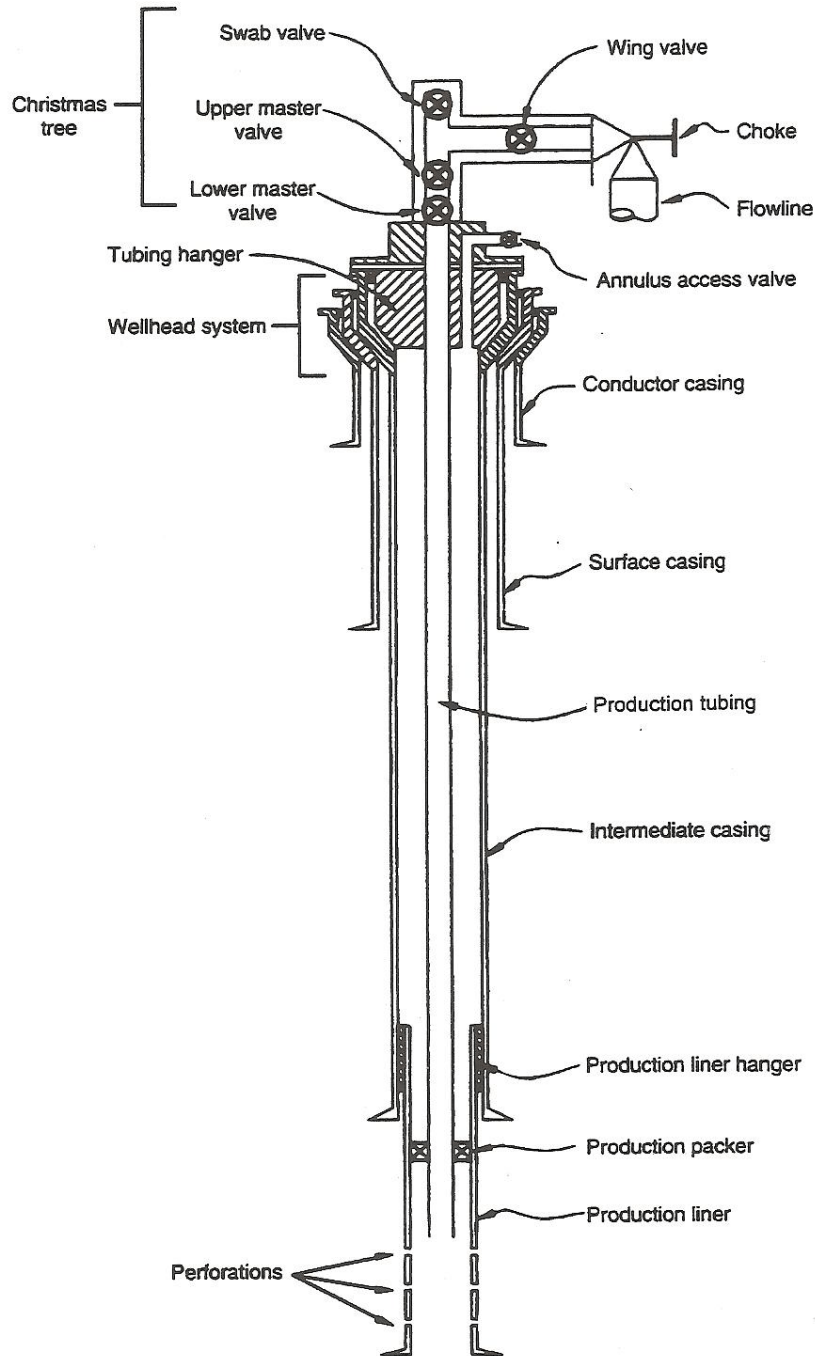
¹² Except as noted, information presented in the “Description and Applications” and “Manufacturing Processes” is drawn from *Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Investigation Nos. 701-TA-363 and 364 (Final) and Investigation Nos. 731-TA-711-717 (Final)*, USITC Publication 2911, August 1995; from *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 701-TA-364 (Review) and 731-TA-711 and 713-716 (Review)*, USITC Publication 3434, June 2001; and from *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007.

¹³ Petition, p. 5.

¹⁴ American Iron and Steel Institute, Instructions for Reporting Steel Shipment Statistics, January 1988.

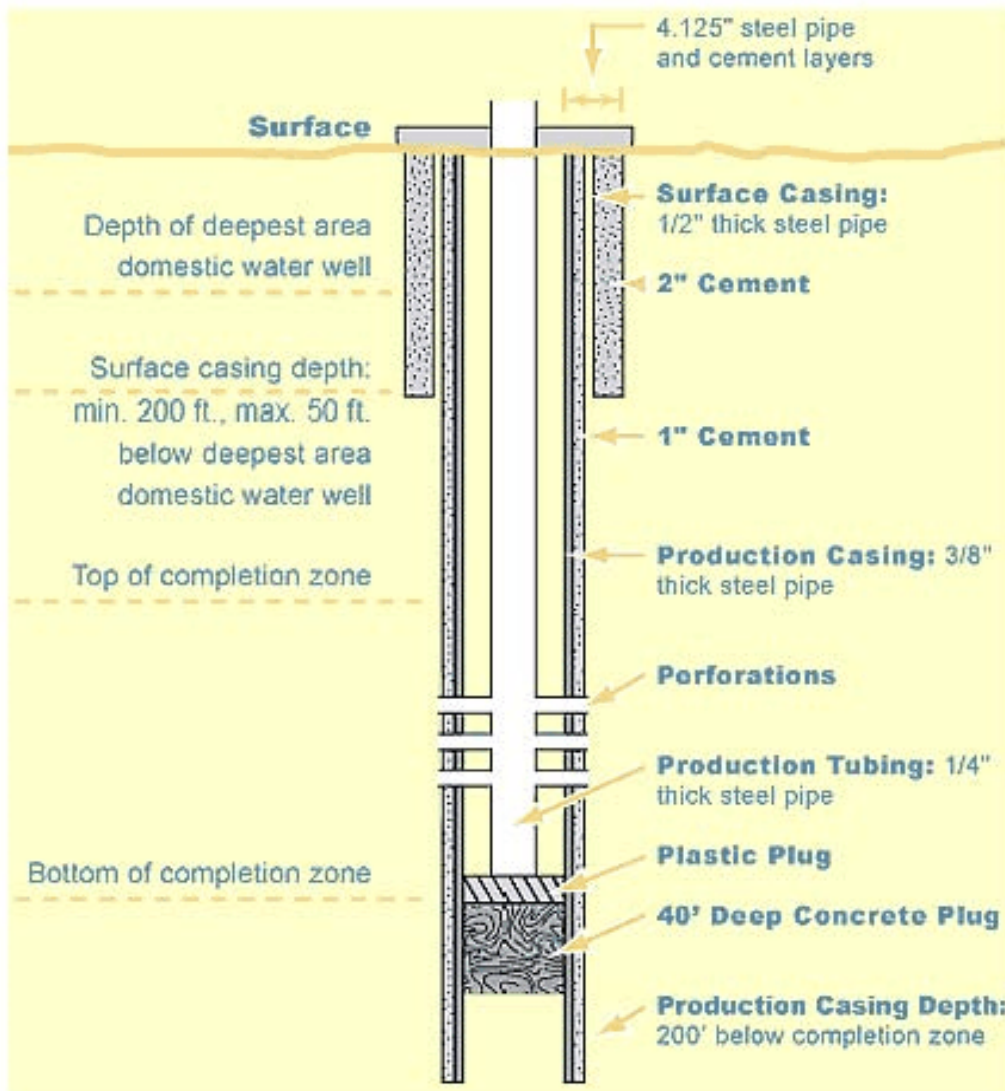
¹⁵ Nonsubject drill string is composed of drill pipes, drill collars, and the drill bit.

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



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

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



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

Tubing is a smaller-diameter pipe (between 1.050 and 4.500 inches in O.D.) installed inside a larger-diameter casing that is used to conduct the oil or gas to the surface either through natural flow or through pumping.¹⁶ Substances (such as lubricant) are also pumped into the well through the tubing for well treatment. Tubing must be strong enough to support its own weight, that of the oil or gas, and that of

¹⁶ American Iron and Steel Institute, Instructions for Reporting Steel Shipment Statistics, January 1988.

any pumping equipment suspended on the string. Tubing, like casing, usually is produced in accordance with API specification 5CT.¹⁷

Manufacturing Processes

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

Forming Phase

Casing and tubing are manufactured either by the seamless process or by the electric resistance-welding (“ERW”) process, a lower cost method than the seamless process, depending on the service requirements.

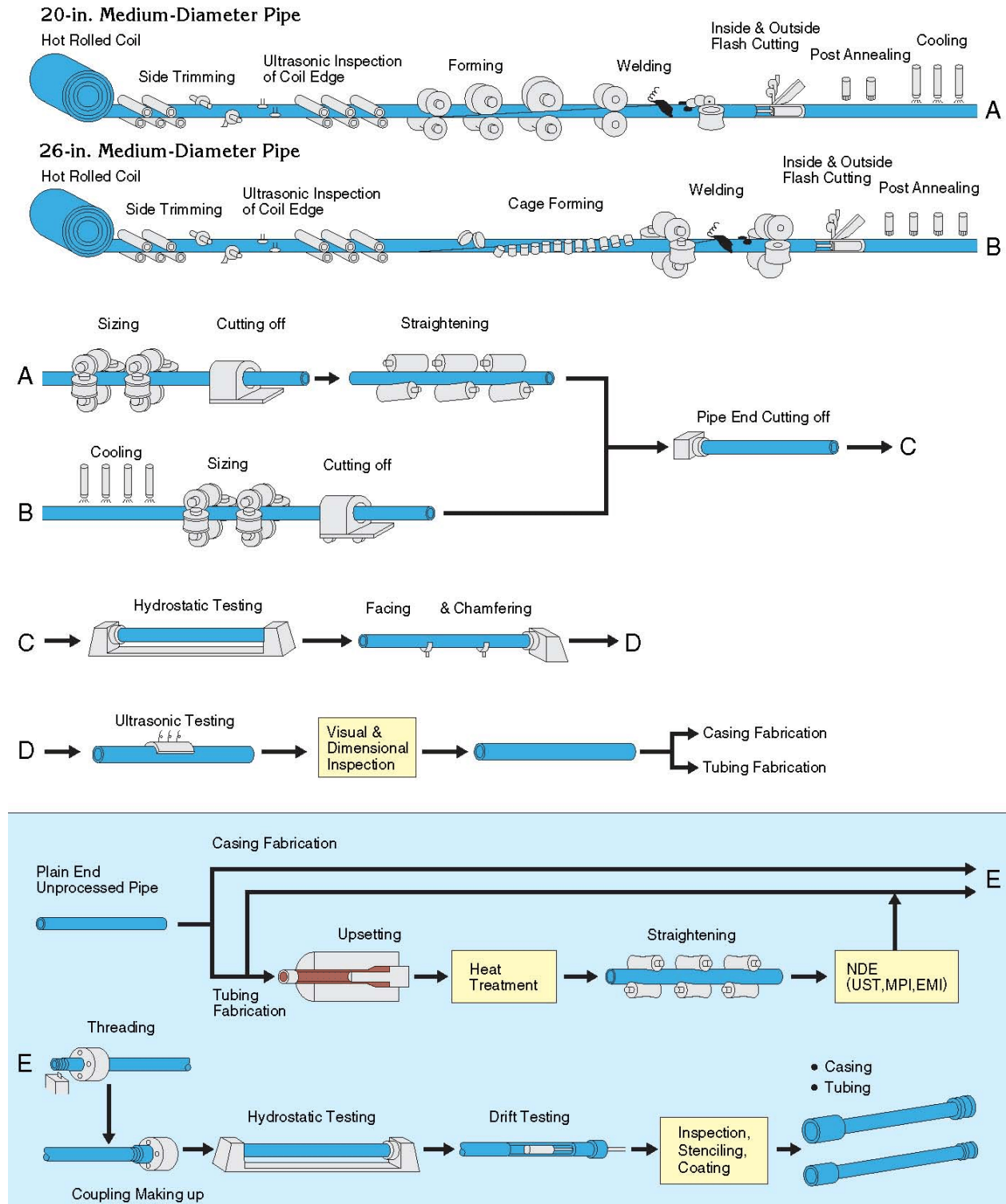
In the ERW process (figure I-3), the input is steel sheet in coil form. The steel sheet is slit to the width which corresponds to the desired diameter of the tube. The slit sheet is formed into tubular shape by passing it through a series of rollers while cold. The edges are then heated by electrical resistance¹⁸ and welded by heat and pressure, without the addition of filler metal. The welding pressure causes some of the metal to be squeezed from the joint, forming a bead of metal on the inside and the outside of the tube. This bead, or welding flash, is usually trimmed from both the outside and the inside surfaces.

Seamless OCTG (figure I-4) is manufactured by either of two high temperature methods to form a central cavity in a solid steel billet, namely, the rotary piercing method and the hot extrusion method. The starting material for seamless tubing is a round or square steel billet. If a square billet is used, it is first forced through a single circular roll pass, producing a round billet for the piercing operation.

¹⁷ Grades for casing and tubing are provided by the API in specification 5CT. For casing and tubing, the grades include a letter (e.g., H, J, K) which typically corresponds to a minimum tensile strength level (with “H” being the weakest and “Q” the strongest), followed by a number (e.g., 55, 80). The number specifies the minimum yield strength in thousands of pounds per square inches (psi) of the pipe material. Thus, grade J55 or K55 requires that the subject OCTG has minimum yield strength of 55,000 psi but differs in minimum tensile strength. An OCTG grade may include several types. Each specific grade, in combination with a specific type (e.g., grade L80, type 9 Cr), is required to have certain mechanical properties (including yield strength), chemical compositions, methods of production (seamless or welded), heat treatments, testing procedures, and other engineering specifications, depending on customers’ requirements. For example grade L80, type 1 contains no chromium, can be seamless or welded, and the pipe has to be quenched and tempered. Grade L80, type 9 Cr must contain between 8 to 10 percent chromium by weight, is seamless, tempered and quenched. Certain OCTG must be heat treated to achieve certain physical characteristics and grade. For example, to reduce system weight by using thinner-walled pipe, well operators must resort to pipe which is made of high grade steel which is called light-walled high-strength casing.

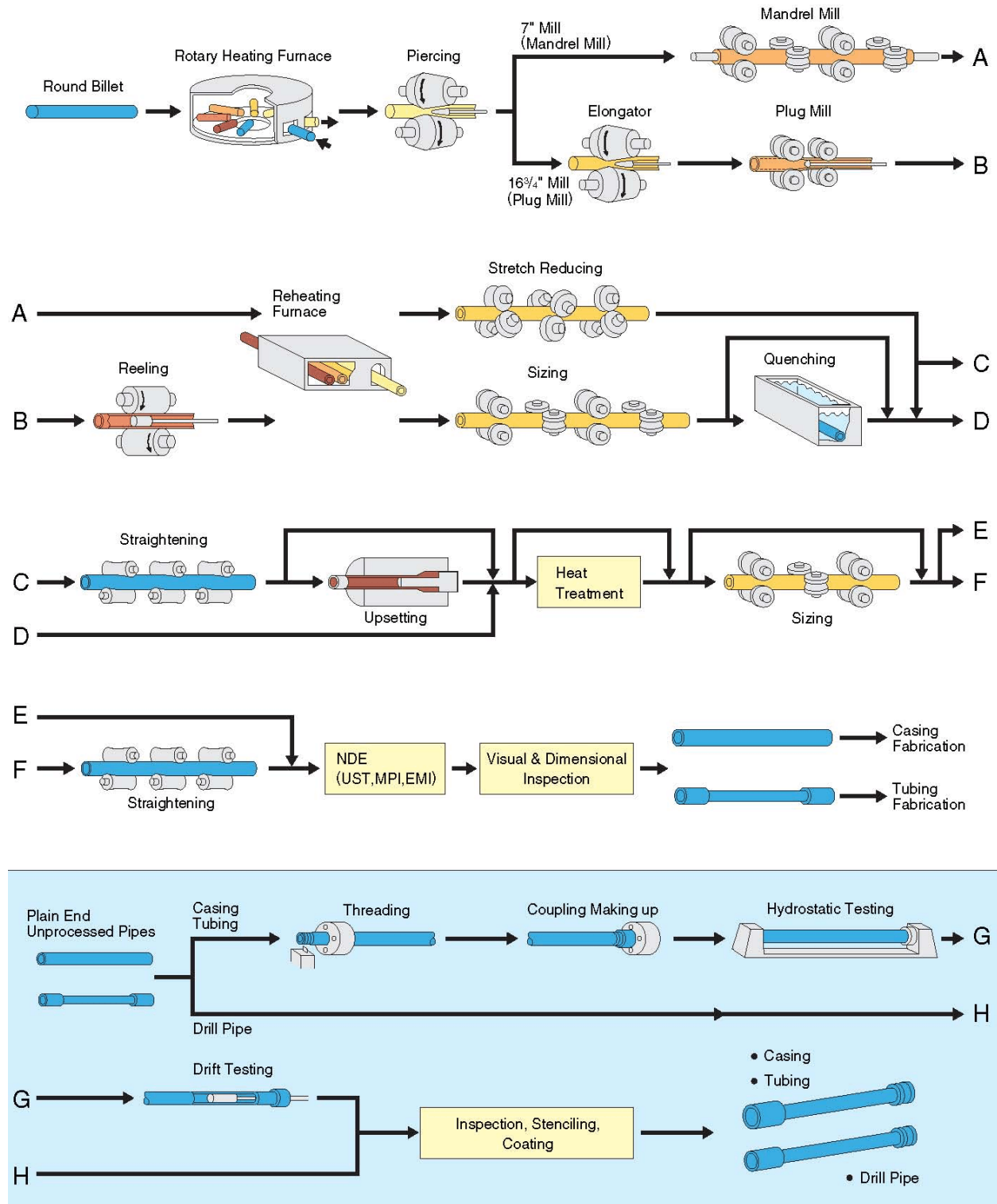
¹⁸ The heat for welding is generated by resistance of the steel to the flow of electric current. In one process, a low frequency (typically 60 to 360 hertz) is conducted to the strip edges by a pair of copper alloy discs which rotate as the pipe is propelled under them. A second variation uses high frequency current (in the range of 400 to 500 kilohertz) which enters the tubing through shoes which act as sliding contacts. An induction coil can also be used with the high frequency current to induce current in the edges of the steel. No direct contact between the induction coil and the tubing is required. American Iron and Steel Institute, *Steel Products Manual Steel-Specialty Tubular Products*, October 1980, pp. 19–20.

Figure I-3
Casing and tubing: ERW manufacturing process



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

Figure I-4
Casing and tubing: Seamless manufacturing process



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

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

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

Finishing Phase

Subsequent to the forming phase, the pipe is heat-treated, upset, and threaded. U.S. pipe mills typically are equipped with the facilities necessary to perform these processes. However, there are various non-pipe producers that can perform certain aspects of the finishing operations, known as processors or threaders. Independent processors operate facilities that are capable of full body heat treatment as well as upsetting ends.¹⁹ Threaders are capable of threading and coupling, hydrostatic testing, and measuring the length of OCTG products. Some processors and threaders may also manufacture couplings that become part of the finished OCTG.²⁰ According to an industry source, processors and threaders mainly serve imports since OCTG are often imported as plain ends, and are upset, threaded and heat-treated in the United States. This approach provides distributors with the flexibility to process and thread the product in compliance with a variety of specifications, thus allowing them to serve a variety of consumer needs.²¹

Heat treatment

In steel manufacturing processes, specific engineering characteristics can be achieved through the application of different heat treatments.²² Heat treating may involve one or more heating cycles in either

¹⁹ Most processors are also threaders but there are many threaders that are not processors. For this reason, the term “processor” in this and other sections of this report is meant to include processors who are also threaders. Discussion of independent threaders is limited in this report, as the Commission in recent OCTG investigations has not deemed threaders to be part of the domestic industries producing casing, tubing, or drill pipe. *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

²⁰ *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. I-35.

²¹ ***, staff telephone interview, May 8, 2009.

²² During the steel making process, certain alloys are added to the mix to achieve the desired characteristics. The American Iron and Steel Institute specifies three broad categories of steels, depending on their chemical compositions: (1) The first group is carbon steels containing by weight 2 percent or less of carbon. Carbon steel is used in standard applications. (2) The second group is stainless steels containing by weight 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements and a minimum of 50 percent iron. These steels are used in applications requiring resistance to oxidation and corrosion. *These products are excluded from the subject investigations.* (3) Alloy steels are those that are not classified as carbon or stainless steels and have specified maximum contents of elements including manganese, silicon, copper, nickel, lead or any other elements added to obtain a desired alloying effect. Depending on the specific applications, OCTG are required to be made from a specific category of steel as determined by its grades and types. For standard operations, OCTG of grades H40, J55, K55, and N80 are used. For severe services including harsh weather or high stress operations, higher grades of OCTG are required. Specification for API grades are found in API, Specification for Casing and Tubing (U.S. Customary Units), *API Specification 5CT*, 1995; also in (*Tenaris*) *Oilfield Services: Products and Services for the Oil and Gas Industry*, retrieved on May 5, 2007 from

(continued...)

a continuous furnace or in a batch furnace, with controlled rates of cooling. Specific heat treating requirements depend on the grade of steel being processed. For welded pipe, the heat treatment (which may be performed while the pipe is still in the continuous processing line) may cover the welded seam only or the full cross-section of the pipe. API standards specify a documented procedure for every particular grade and type of pipe.²³ API-specified heat treatment processes in the production of casing and tubing include (1) annealing, (2) normalizing, and (3) quenching and tempering.²⁴

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

In the normalizing process, the pipe is heated to above a specific temperature, held at this temperature for a specified time and then cooled down in air. Normalizing refines the steel grain size and obtains a carbide size and distribution which will be more suitable for future heat treatment than the as-rolled structure.²⁵

Quenching and tempering are a combined process in which the pipe is heated to a specific temperature for a specified period of time to modify the steel's micro-structure and then "quenched" in a cooling medium such as water, oil, or air, depending on the thickness of the pipe. After quenching, the steel is very brittle and must be reheated and then cooled under specific conditions. This process is called "tempering."²⁶ The pipe must undergo a specified process of quenching and tempering in order to qualify for specific API grade.

Depending on the pipe design, API standards may specify a single heat treatment process or a combination of processes for the pipe such as normalizing, normalizing and tempering, or quenching and tempering. Subsequent to heat treatment, sizing rolls will shape the tube to accurate diameter tolerances. The product is cooled and then cut to length at the end of the tube mill.²⁷

Upsetting and threading

Casing and tubing are finished by threading and the attachment of a suitable coupling to one end of each length. For some casing or tubing that is subject to severe or sour service,²⁸ it is necessary to provide additional strength in the joint, and for this reason, the ends of the pipe are upset before the threads are cut. In the upsetting process, the end of the pipe is heated to forging temperature, then

²² (...continued)

http://www.tenaris.com/en/ProductsServices/Oilfield/pro_ser_proprietary.asp.

²³ American Petroleum Institute, Specification for Casing and Tubing (U.S. Customary Units), *API Specification 5CT*, Fifth Edition, April 1, 1995, table 1: Process of Manufacture and Heat Treatment, p. 5.

²⁴ American Iron and Steel Institute, *Steel Product Manual, Steel Specialty Tubular Products*, October 1980, p. 26.

²⁵ United States Steel, "Principles of Heat Treatment of Steel," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1262.

²⁶ These processes are specified by the American Petroleum Institute, Specification for Casing and Tubing (U.S. Customary Units), *American Petroleum Institute Specification 5CT*, Fifth Edition, April 1, 1995, table 1, p. 5.

²⁷ United States Steel, "Manufacture of Steel Tubular Products," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1029.

²⁸ Sour crude oil (sour crude) or sour gas is defined as an oil/gas containing common impurities such as water, carbon dioxide, hydrogen sulfide, and oxygen, which are thoroughly mixed in with the oil during extraction, and are very difficult to eliminate. These impurities corrode and cause cracking in steel, albeit without any observable change in appearance prior to failure.

inserted endwise into an upsetting machine. The machine pushes the hot metal back, creating a thicker wall at the end of the pipe. The upsetting may be controlled to displace the extra thickness to the inside or to the outside of the pipe.

Tubing and casing can be joined directly using male (outer) and female (inner) threading, or by using couplings with female threads on each end.²⁹ Typically, the pipe is mounted on a lathe and threads are cut by using sharp steel cutting tools (called chasers) which are mounted on a threading die surrounding the pipe. As the pipe is turned on the lathe, the threading die moves along the pipe's axis, producing the required spiral cut on the inner or outer surface of the pipe. High quality thread must be clean and smoothly cut and the die must be properly designed and correctly set up.³⁰

Threading is typically performed after transportation to avoid damage which can be caused by movement, water, or weather. Damaged thread can cause expensive ruptures of the pipe string in casing and tubing applications where pipes are connected to one another by threaded joints.³¹

API standards specify three different types of threaded joints: Short round thread casings and couplings, which are primarily used in surface pipe; long round thread casings and couplings, which feature stronger thread than short round threads and are used in deep string applications; and buttress threads, which have the same length as long threads, but are square and stronger than round thread.³² In addition, there is propriety threading that is specially designed, registered and protected by patents or other intellectual property right mechanisms and is not specified by the API standards.

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

²⁹ Some drive pipes or surface pipes which are connected together by a few joints near the ground surface can be welded together.

³⁰ United States Steel, "Manufacture of Steel Tubular Products," in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1059.

³¹ A string consists of several pipes which are connected together.

³² *American Petroleum Institute Specification 5CT*, Fifth Edition, April 1, 1995 Specifications for Casing and Tubing (U.S. Customary Units), p. 34.

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

U.S. MARKET CHARACTERISTICS

OCTG is sold across the United States to distributors and, ultimately, production and exploration firms, with sales concentrated in major oil- and gas- producing regions. Three U.S. producers supply OCTG nationally. Of the remaining responding producers,¹ four reported making sales of OCTG to the Central Southwest, three producers also reported making sales to the Mountain region, four to the Midwest, two to the Southeast, two producers reported making sales to the Northeast, and one to the Northwest and the West Coast. Also, two responding producers specifically reported making sales to Alaska, and one producer reported sales to Hawaii. Six importers supply OCTG nationally.² Of the remaining 37 responding importers, 30 supply to 2 or more regions: in particular 28 reported making sales to the Central Southwest, 21 reported making sales to the Mountain region, and 11 supply the West Coast.

CHANNELS OF DISTRIBUTION

Domestically-produced and imported OCTG is sold mainly through distributors (table II-1). U.S. producers sold more than 99 percent of OCTG directly to distributors, while more than 83 percent of U.S. imports of OCTG from China and more than *** percent of U.S. imports from nonsubject sources was sold to distributors.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Industry

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

Industry capacity

Capacity utilization for U.S. producers increased irregularly from 71.8 percent in 2006 to 74.8 percent in 2008, but was only 30.9 percent in January-March 2009 compared to 72.2 percent in January-March 2008. While rolling capacity remained available, heat treating capacity was far more constrained, at least during 2006-08, limiting the ability of certain U.S. producers to increase production of seamless alloy steel OCTG that require heat treatment.

¹ “Producer” refers to mills and processors that responded to the Commission’s producer questionnaire, or otherwise provided information to the Commission.

² The Commission received information from 45 importers, including two importers (***) that were able to provide complete qualitative information and narrative, but were unable to provide usable trade data.

Table II-1

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

Item				January-March	
	2006	2007	2008	2008	2009
	Share of reported shipments (<i>percent</i>)				
U.S. producers' shipments:					
To distributors	99.9	99.9	99.6	99.5	99.6
To end users	0.1	0.1	0.4	0.5	0.4
Shipments of imports from China:					
To distributors ¹	87.3	85.0	81.9	80.4	78.4
To end users ¹	12.7	15.0	18.1	19.6	21.6
Shipments of imports from nonsubject sources:					
To distributors	***	***	***	***	***
To end users	***	***	***	***	***
Total imports:					
To distributor	91.0	88.4	85.2	84.0	84.0
To end users	9.0	11.6	14.8	16.0	16.0
¹ Much of the apparent shift toward end user sales of OCTG from China reflects ***.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Production alternatives

U.S. producers produce welded and seamless oil/gas well casing and tubing, standard/line/pressure pipe, and mechanical tubing on the same equipment. They reported that one-third of shared welded production is other (non-OCTG) welded products and about one-fourth of shared seamless production is other seamless products.³

Alternative markets

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

Inventory levels

U.S. producers' inventories as a ratio of their total OCTG shipments fluctuated between 2006 and 2008, increasing irregularly from *** percent of total shipments in 2006 to *** percent in 2008. Inventories were equivalent to *** percent of annualized total shipments in the first quarter of 2009, compared to *** percent in the first quarter of 2008. U.S. inventories increased overall starting in January 2008.

³ Table III-4.

Supply of Subject Imports to the U.S. Market

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

Industry capacity

Chinese producers' reported capacity utilization rates for OCTG increased irregularly from 80.9 percent to 82.6; it is projected to be 77.9 percent in 2009 and 80.2 percent in 2010. Accordingly, Chinese producers have some excess capacity with which they could increase OCTG production.

Production alternatives

Chinese OCTG producers reported producing welded and seamless oil/gas well casing and tubing, standard/line/pressure pipe, and mechanical tubing on the same equipment. They also reported that three-quarters of shared welded production is other welded products and more than one-third of shared seamless production is other seamless products.⁴

Alternative markets

Commercial shipments of OCTG, as a percentage of total shipments, to the Chinese home market decreased from 76.6 percent in 2006 to 59.5 percent in 2008. Chinese OCTG producers' exports to the United States, as a percentage of total shipments, increased from 9.5 percent in 2006 to 23.1 percent in 2008. Chinese producers' exports of OCTG to non-U.S. markets, as a percentage of total shipments, increased irregularly from 11.4 percent in 2006 to 14.9 percent in 2008. These data indicate that Chinese producers have the ability at the present time to shift shipments from alternative markets in response to price changes.

Inventory levels

Available data indicate that Chinese OCTG producers' inventories, as a percentage of total shipments, ranged from a low of *** percent in 2006 to a high of *** percent in 2007, but that inventories are rising in 2009 and projected to be greater than 2006-08 levels in 2010 as well. These data indicate that subject producers may be somewhat limited in their ability to use inventories as a means of increasing shipments of OCTG to the U.S. market.

Supply Constraints

U.S. producers and importers were asked if they refused, declined, or were unable to supply OCTG since January 1, 2006. Five of 7 responding producers and 19 of 41 responding importers

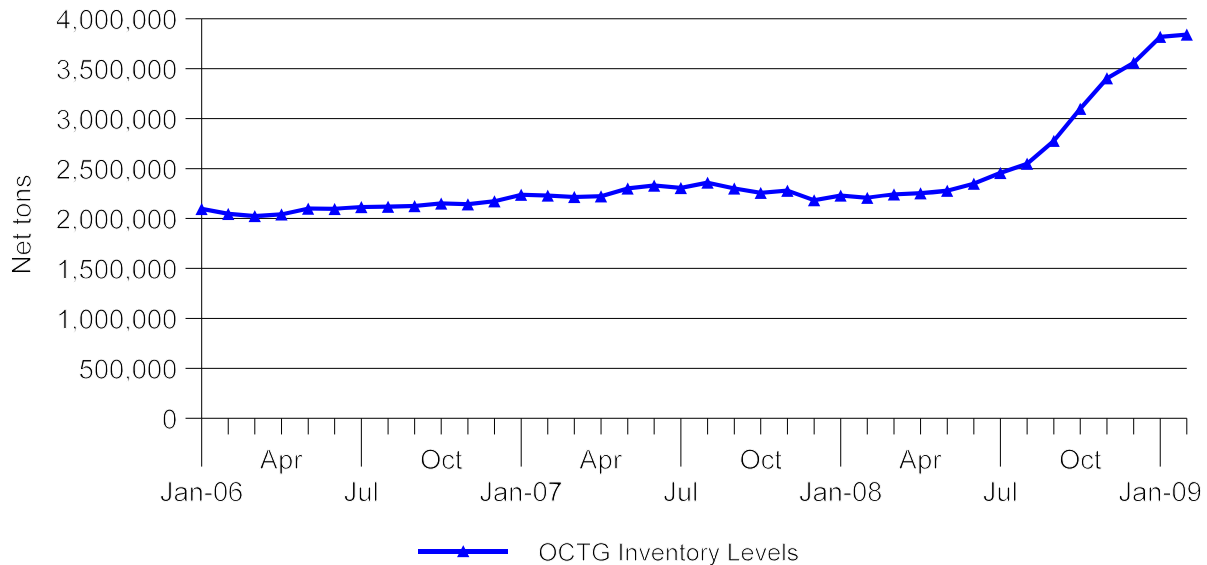
⁴ Table VII-5.

reported that they had restrictions of some variety in place.⁵ Some companies provided additional comments in their questionnaire responses. Producer U.S. Steel declared that ***. Producer V&M Star ***. Producer Maverick reported that ***. Importers reported difficulty in providing OCTG to new customers due to shipping problems and delays, the inability to locate quality pipes, and problems locating appropriate sources of supply that led to increased lead times.

Distributor and User Inventories

Distributor and user inventories were relatively stable during January 2006-June 2008. According to U.S. producers’ testimony, market participants prefer to see inventories at or below 6 months of supply.⁶ According to data presented by the petitioners, monthly inventories were below six months of supply for extended portions of 2006 and 2008, above that level in 2007 and even over 12 months supply by 2009.⁷ According to public data compiled by Preston Publishing, the absolute level of OCTG inventories began to increase from mid-2008 until the end of the period (figure II-1).

Figure II-1
OCTG: U.S. inventory levels, January 2006-February 2009



Source: Preston Publishing Co.

⁵ See also purchaser testimony indicating the existence, and extent, of allocation: “We were put on allocation from the standpoint of our core mills . . . We did purchase Chinese product for a small amount of our needs to enhance our overall relationship and value in the supply chain of our customers.” Conference transcript, p. 73 (Dewan).

⁶ U.S. producer Maverick testified that “Everyone likes to see supply chain efficiencies and when it goes over six months, it’s getting very poor.” Conference transcript, p. (Balkenende).

⁷ Distributor Sooner Pipe testified that “most distributors don’t like to see more than six months worth of OCTG in inventory, so you can imagine how nervous we are with this figure at over 12 months, the highest I can remember.” Conference transcript, pp. 56-57 (Shoaff) and petitioners’ conference exhibit, p. 8.

U.S. Demand

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

Demand Characteristics

U.S. OCTG demand depends both on the number of active rotary or workover rigs drilling for oil and natural gas in the United States in which it is used and the depth of the rigs on which the OCTG is used.⁸ As the depth increases, the amount of OCTG needed increases even more, as overall footage increases and larger outer diameter casing is needed at the top of the well.⁹ Similarly, producer *** testified that OCTG demand in the United States is “best measured by the footage of wells drilled.”¹⁰ (figure II-2).

Figure II-2

U.S. rigs: Footage drilled, 2006-08, January-March 2008, and January-March 2009

* * * * *

The number of active rotary or workover rigs is an indicator of demand for oil and natural gas.¹¹ Figures II-3 and II-4 show changes in the Baker-Hughes monthly rig count, and rig permits issued with monthly average crude oil and natural gas prices.¹² Figure II-5 shows actual predicted prices for crude oil and natural gas.

⁸ Conference transcript, p. 70 (Kaplan).

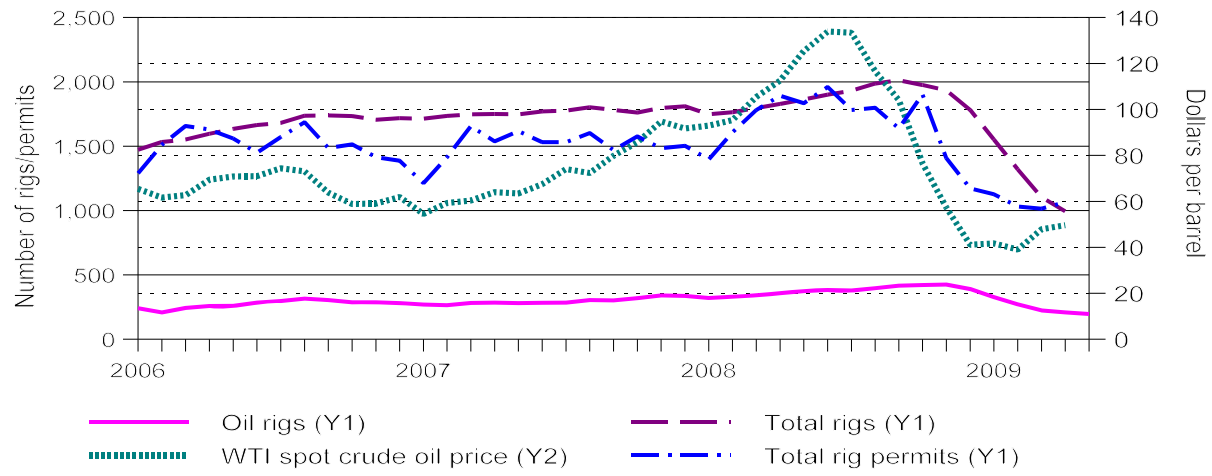
⁹ *Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, China, Mexico, and Spain, Investigations Nos. 701-TA-363 and 364 (Final) and 731-TA-711-717 (Final)*, USITC Publication 2911, August 1995.

¹⁰ Conference transcript, pp. 33-34 (Balkenende).

¹¹ *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigations Nos. 701-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007.

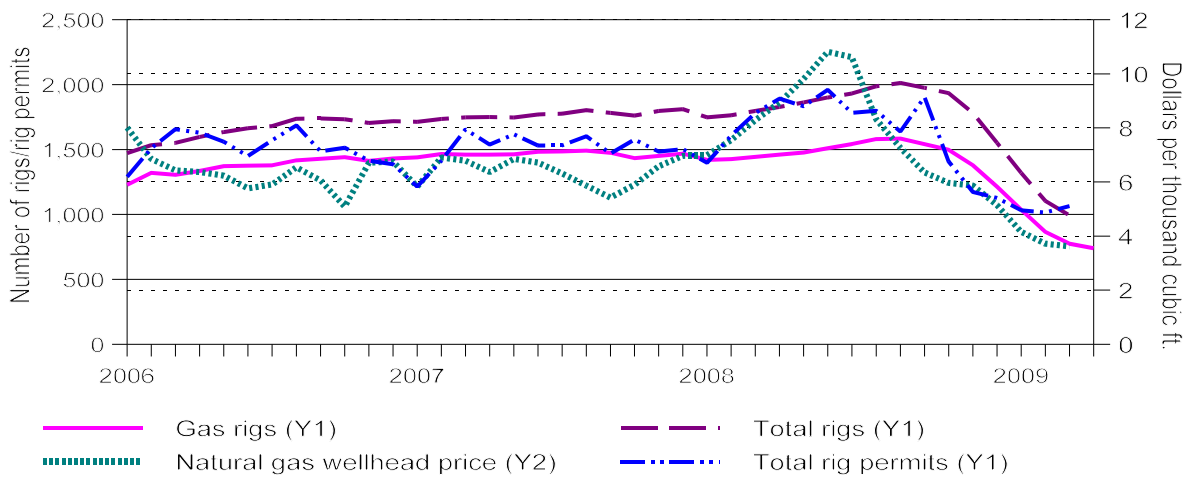
¹² “Rig counts have certainly declined, but there are still close to 1,000 rigs in operation, a number that is not especially low by historical standards.” Conference transcript, p. 28 (Thompson).

Figure II-3
Crude oil prices, Baker-Hughes U.S. rig count, and U.S. rig permits, monthly averages, January 2006-April 2009



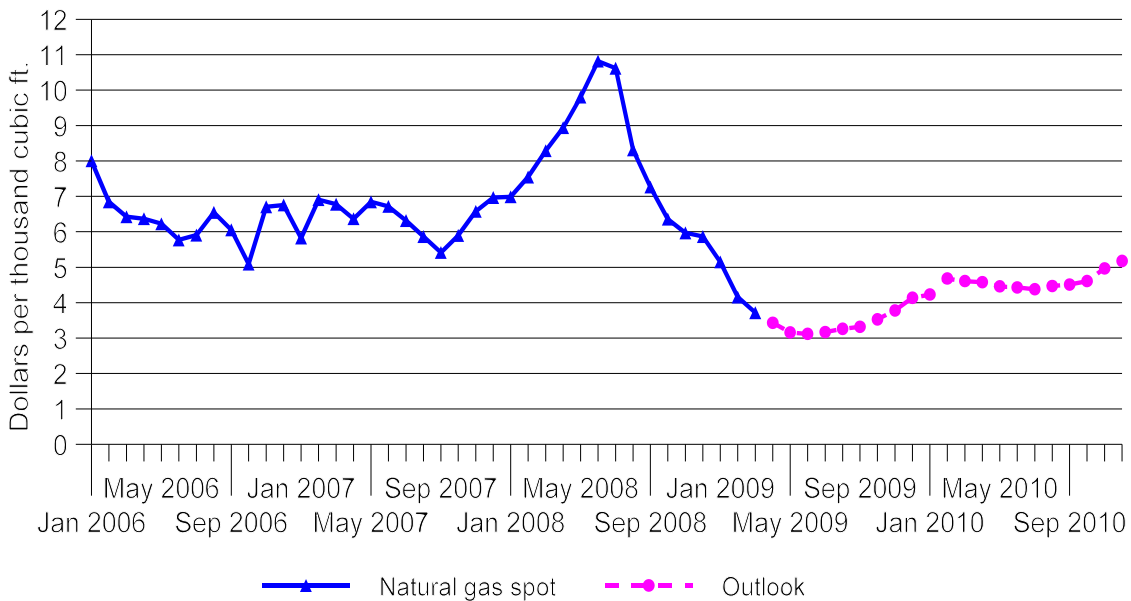
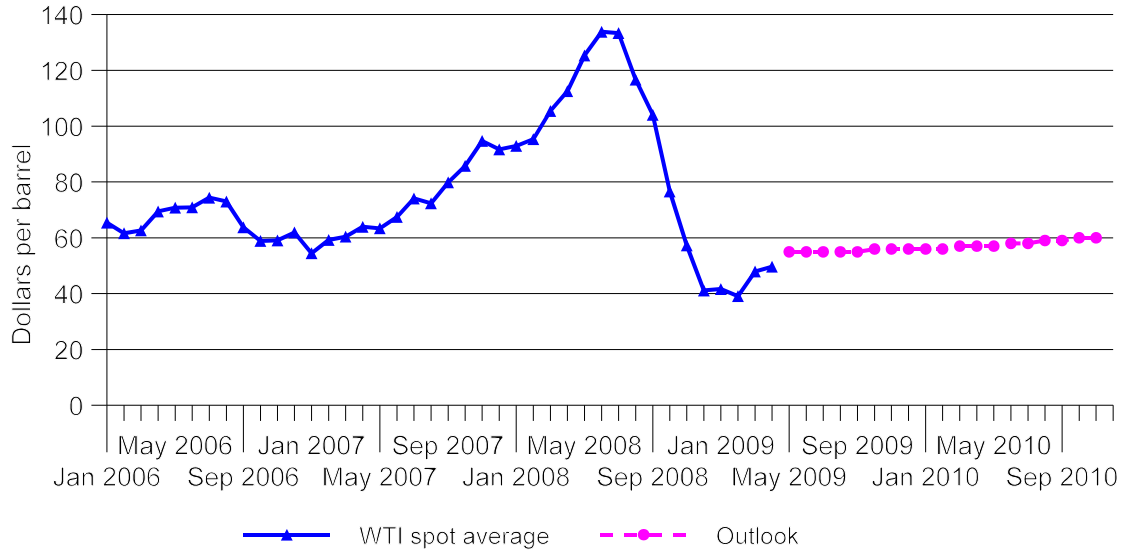
Source: Baker-Hughes Rig Count, Energy Information Administration, and RigData.

Figure II-4
Natural gas prices, Baker-Hughes U.S. rig count, and U.S. rig permits, monthly averages, January 2006-April 2009



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

Figure II-5
Oil and gas: Short term actual and predicted quarterly West Texas crude oil prices and average wellhead spot prices of natural gas, Jan 2006-Dec 2010

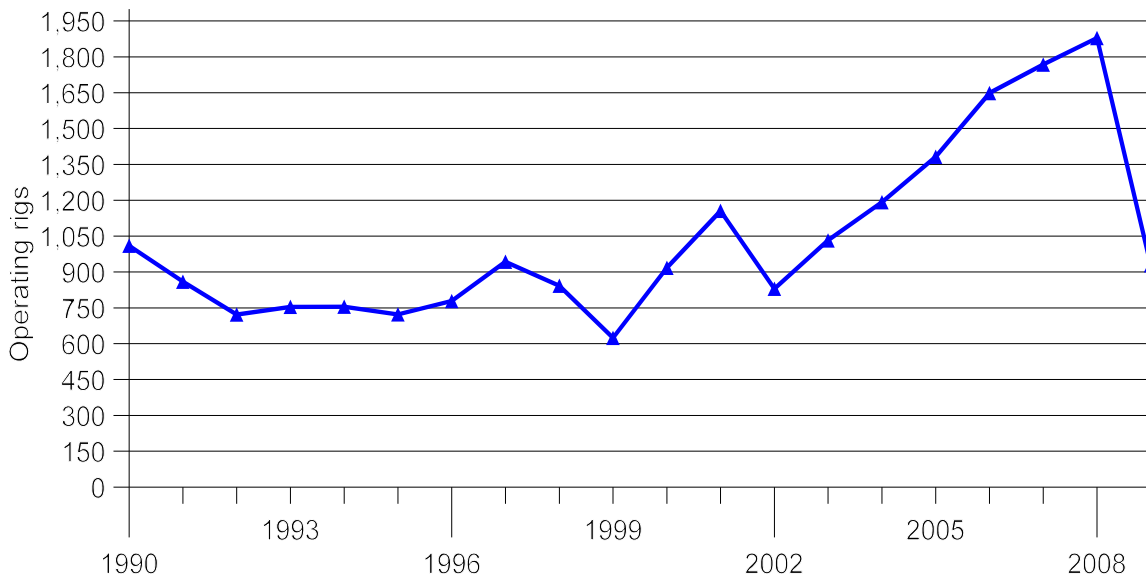


Source: U.S. EIA, <http://www.eia.doe.gov/emeu/steo/pub/xls/Fig1.xls> and <http://www.eia.doe.gov/emeu/steo/pub/xls/Fig4.xls>, retrieved May 12, 2009.

Business Cycle

Demand for OCTG tends to fluctuate from period to period and depends on the general business cycle of the OCTG industry.¹³ As shown in figure II-6, oil and gas drilling in the United States has experienced sharp upward and downward adjustments with some frequency over the past two decades. U.S. producer V&M testified that it struggled during previous down cycles, but it has never seen deterioration in its order book like that which is occurring now.¹⁴

Figure II-6
OCTG: Operating oil and gas rigs in the United States, January 1990-April 2009



Source: Baker-Hughes Rig Count,
http://files.shareholder.com/downloads/BHI/634056054x0x293415/49609254-C123-46B3-A0D9-8259EC806A94/US_Rig_Report_050809.xls, Accessed May 13, 2009.

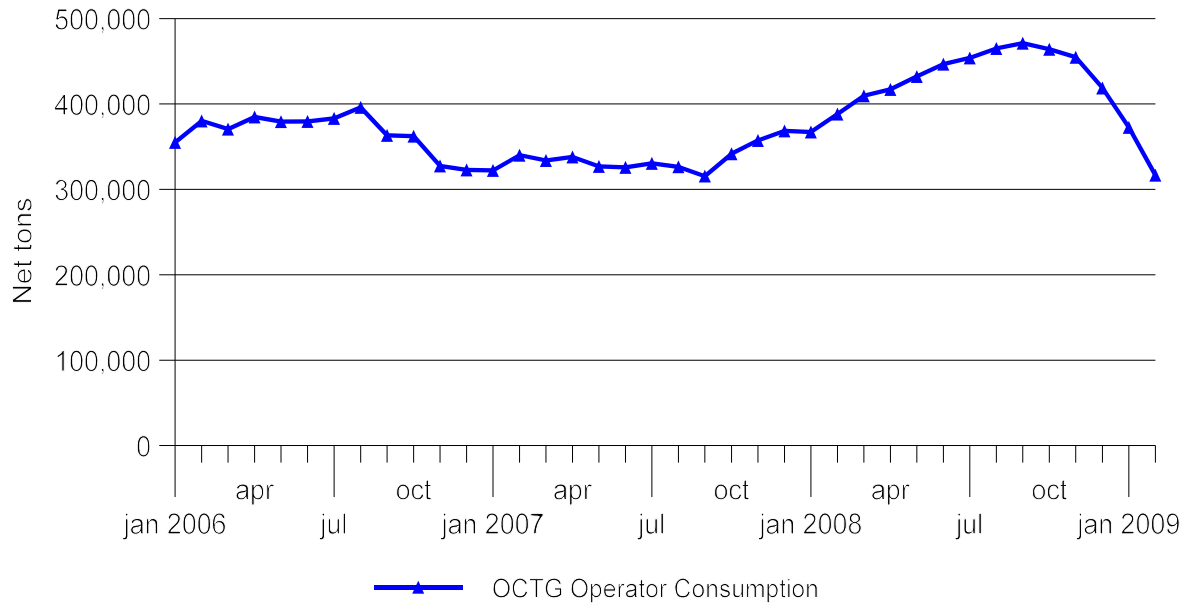
¹³ Indeed, the United Steel Workers' Union representative testified that there were "all the up and down cycles of the OCTG industry, and we know there have been many of those." Conference transcript, p. 22 (Hart).

¹⁴ Conference transcript, p. 40 (Herald).

Consumption

Apparent U.S. consumption decreased between 2006 and 2007, increased sharply in 2008, and was higher in the first quarter of 2009 than in the first quarter of 2008. However, this measure does not take into account changes in importer, distributor, or end user inventories. According to public data compiled by Preston Publishing, OCTG operator consumption decreased moderately in 2007 relative to 2006. After February 2008, operator consumption increased until October 2008, then decreased for the remainder of the period, reaching its lowest level in February 2009 (figure II-7).

Figure II-7
OCTG: Operator consumption, by month, January 2006-February 2009



Source: Preston Publishing Co.

Demand Trends

Four of the responding producers reported that demand increased, two reported that demand fluctuated, and one indicated that demand decreased. The producers that reported increased or fluctuating demand added that while demand increased up to mid-2008, it decreased in the last part of 2008 and first quarter of 2009.¹⁵ The one producer reporting decreased demand attributed this trend to the most recent several quarters.

Thirty-one of 38 responding importers indicated that demand for OCTG has increased since 2006. Most of these firms indicated that demand had increased because of the increase in the prices for crude oil and natural gas that led to the increased incentive to drill more wells to produce more hydrocarbons.^{16 17 18} Of the remaining responding importers, three indicated that demand had fluctuated, and four reported that demand decreased.¹⁹ These latter responding importers indicated that demand decreased in the most recent period because the oil and gas prices decreased steeply, reducing the incentives to drill and resulting in a decrease in oil and rig counts.

One responding U.S. producer, ***, and three responding importers *** indicated that global demand has decreased since the third quarter of 2008 due to the global financial crisis and global reduction in oil and gas consumption. One conference witness indicated that global demand has been relatively flat during the period of investigation.²⁰ Two other conference witnesses indicated that current forecasts of oil and gas prices will remain at low levels at least through the end of 2010.^{21 22}

Substitute Products

One of the 7 responding producers and 4 of 42 responding importers, reported that there were substitute products for OCTG. Substitute products mentioned were API line pipe, ASTM A500 rounds, expandable casing, and coiled tubing. Applications for API line pipe include: ***,²³ ***,²⁴ or ***.^{25 26} Applications for ASTM A500 rounds includes ***.²⁷ The applications for expandable casing are ***.²⁸

¹⁵ “We had a very strong year in 2008, one of the strongest years we’ve had in history, actually. Over the past ten years, we have had some ups and downs, but 2008 was extraordinary. We started to see quite a bit of trail-off in the early part of the fourth quarter, in October. We started seeing a bit decreased demand from our end users.” Conference transcript, p. 66 (Shoaff).

¹⁶ *** importers’ questionnaire.

¹⁷ Conference transcript, p. 156 (Jordan).

¹⁸ Individual purchasers also noted the rising demand for OCTG: distributor Premier Pipe testified at the conference that “in the spring of 2008, as the rig count was increasing, we increased our purchases from both domestic and foreign suppliers in order to keep up with the stronger demand from our customer base.” Conference transcript, p. 58 (Dewan).

¹⁹ “. . . We saw a decrease in the third quarter (of 2008).” Conference transcript, p. 68 (Barnes).

²⁰ Conference transcript, pp. 111-112 (Kaplan).

²¹ Conference transcript, p. 65 (Hausman).

²² Conference transcript, p. 35 (Balkenende).

²³ *** importers’ questionnaire.

²⁴ *** importers’ questionnaire.

²⁵ *** importers’ questionnaire.

²⁶ *** importer’s questionnaire.

²⁷ *** importers’ questionnaire.

²⁸ *** importers’ questionnaire.

Coiled tubing is used as a ***.²⁹ One responding producer and 2 of 32 responding importers indicated that changes in the prices of substitute products have affected the price for OCTG.

Cost Share

Depending on the final end use, OCTG accounts for a wide range of the total cost of the final products in which it is used as an input. Four producers indicated that the total share of well costs accounted for by OCTG is 10 to 15 percent, while another producer indicated that OCTG makes up 89 percent for casing and 11 percent for limited service/scrap casing. Several importers indicated that Chinese OCTG accounts for most of the cost of downhole and gas exploration and production; 44.7 percent of drill stews, 4 percent of storage wells, and 82.8 percent of surface casing.

SUBSTITUTABILITY ISSUES

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

Comparisons of Domestic Products and Subject Imports

In order to determine whether U.S.-produced OCTG can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably (table II-2).

Table II-2
OCTG: U.S. firms’ perceived degree of interchangeability of products produced in the United States, China, and nonsubject countries¹

Country comparison	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	5	2	0	0	16	14	6	0
U.S. vs. nonsubject	5	1	1	0	16	15	3	0
China vs. nonsubject	5	1	1	0	14	14	4	0

¹ Producers, and importers were asked if OCTG produced in the United States and in other countries is used interchangeably.

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

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

All seven of the producers and 30 of 36 importers reported indicated that U.S.-produced OCTG can “always” or “frequently” be used interchangeably with Chinese product. Of these firms, one producer and seven importers stated that OCTG products that were manufactured to meet API certifications were always interchangeable.

²⁹ Ibid.

Producers and importers were also asked to compare U.S.-produced products with imports from China in terms of product differences other than price such as quality, availability, product range, and technical support. Again, firms were asked whether these product differences are always, frequently, sometimes, or never significant (table II-3). All seven responding producers and most responding importers reported that differences other than price between OCTG produced in the United States and China were no more than “sometimes” a significant factor in their firm’s sales of the products; nine importers reported that these differences were “frequently” significant and six reported that they were “always” significant. Several importers reported that they perceived quality issues among customers with OCTG produced in China.

Table II-3
OCTG: Perceived significance of differences other than price between products produced in the United States, China, and nonsubject countries¹

Country comparison	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	2	5	6	9	16	5
U.S. vs. nonsubject	0	1	1	5	3	6	13	5
China vs. nonsubject	0	1	1	5	2	3	13	5

¹ Producers and importers were asked if differences other than price between OCTG produced in the United States and in other countries were a significant factor in their sales of the products.

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

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

Comparisons of Domestic Products and Nonsubject Imports

Five of seven responding producers, and nearly half of the responding importers indicated that OCTG produced in the United States and nonsubject countries were “always” used interchangeably (table II-2). Six of seven responding producers and approximately two-thirds of responding importers reported that product differences other than price between U.S.-produced and nonsubject OCTG were no more than “sometimes” significant (table II-3).

Comparisons of Subject Imports and Nonsubject Imports

Six of seven responding producers, and 28 of 32 importers reported that OCTG produced in China and in nonsubject countries were “always” or “frequently” interchangeable (table II-2). Six of seven responding producers and three-quarters of responding importers indicated that differences other than price between OCTG produced in the subject and nonsubject countries were at most “sometimes” a significant factor.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of seven firms that accounted for the large majority of U.S. production of OCTG during 2008.¹

U.S. PRODUCERS

The Commission sent producer questionnaires to 50 U.S. firms and received completed questionnaire responses from seven firms.² While several U.S. mills (Paragon Industries, Tex Tube) and independent processors (Tejas Tubular, Texas Steel Conversion, Tubular Services, LP) provided *** data, the responding U.S. producers are believed to account for the large majority of U.S. OCTG operations and more than *** percent of U.S. mill production. Presented in table III-1 is a list of current domestic producers of OCTG and each company's position on the petition, production location(s), related and/or affiliated firms, and share of reported production of OCTG in 2008; each company's reported related firm's domestic and foreign production of OCTG is listed.³ All firms cited layoffs and shutdowns in 2009 which they attributed to Chinese imports and the dramatic drop in OCTG demand.

¹ Staff asked the producers to respond by seamless and welded operations. Responding seamless firms are as follows: Evraz Rocky Mountain Steel; TMK IPSCO; United States Steel; V&M Star; and V&M TCA. Responding welded firms are as follows: United States Steel; Maverick Tube; TMK IPSCO; and Wheatland Tube.

² Two firms, Boomerang Tube LLC and Northwest Pipe Company, began investing in OCTG production facilities in 2008 and plan to produce in 2009. Nineteen firms responded that they did not produce OCTG, 12 were owned by one of the seven responding firms, and the remainder did not respond.

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

Table III-1

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

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

- 1 ***
- 2 ***
- 3 ***
- 4 ***
- 5 ***
- 6 ***
- 7 ***

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

Each firm was asked if it experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of OCTG since January 1, 2006. These are included in table III-2.

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

Year	Company	Description of event (merger, shutdown, bankruptcy, change in production or capacity level)
2006	IPSCO (Canada)	Merger: IPSCO completes merger with NS Steel (Newport, KY) in December 2006.
	Lone Star (Houston)	Joint ventures: Lone Star forms a joint venture with Grupo Peixoto de Castro (Brazil) to produce finished welded oilfield tubular products in Brazil. Acquisition: Lone Star acquires a 50-percent ownership stake in Apolo Mecanica e Estruturas LTDA, an oilfield tubular products facility in southeastern Brazil for approximately \$42 million. Acquisition: Lone Star increases its equity holding in Chinese steel makers Hunan Valin Steel Tube & Wire Co. and Hengyang Valin MPM Steel Tube Co.
	Tenaris (Luxembourg)	Merger: Tenaris, a producer of seamless OCTG, purchases Maverick in October 2006 (\$3.2 billion).
2007	Rocky Mountain (Oregon Steel)	Acquisition: Evraz Group S.A.(Russia) purchases Oregon Steel Mills Inc. (Then-owner of Rocky Mountain Steel Mill) for (\$2.3 billion).
	Tenaris	Acquisition: Tenaris purchases Houston-based HydriL Co. (\$2 billion).
	U.S. Steel	Acquisition: U.S. Steel purchases Lone Star (for \$2.1 billion).
	IPSCO	Upgrade: IPSCO Inc. constructs a \$*** OCTG heat treat facility adjacent to its Blytheville, Arkansas pipe mill. Commercial production begins in the third quarter. Acquisition: SSAB (Sweden) purchases IPSCO for approximately \$7.7 billion.
2008	Evraz Group SA and TMK. (Russia)	Acquisition: Evraz Group SA and TMK (Russia) purchase SSAB's IPSCO tubular facilities in North America for \$4 billion. TMK obtains all of IPSCO's U.S. tubular operations and 51 percent of NS Group for approximately \$1.2 billion.
	Northwest Pipe Co.	Plant recommission: Northwest's Bossier City, LA-facility is being recommissioned to produce OCTG but has been delayed (to the third quarter of 2009) due to market conditions. Products ranging from 2.375 to 7-inch outside diameter.
	Wheatland (John Maneely/Carlyle)	Acquisition canceled: Russian steel maker OJSC Novolipetsk Steel cancels efforts to acquire tube and pipe producer John Maneely (parent company of Wheatland Tube). John Maneely is a subsidiary of the Carlyle Group (a Washington-based investment firm) .

Table continued on next page.

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

Year	Company	Description of event (merger, shutdown, bankruptcy, change in production or capacity level)
2008	V&M Star (Youngstown)	Capacity increase: V&M Star (which acquired the North Star Steel facilities in 2002) plans to invest \$639 million into its Youngstown facility to upgrade its OCTG operations. In addition, the state of Ohio will use \$20 million from the federal economic stimulus funding to relocate the rail lines near the current property of V&M in Youngstown.
	TMK IPSCO (Houston)	Investment: TMK-IPSCO completes a new automated heat treatment facility at Baytown Works (Baytown, TX) for OCTG sizes 2.375 inches to 7.625 inches. Capacity is 85,000 tons. Reduced operating rate: The Newport facility operates at *** percent of its capacity of *** tons of OCTG. The Comanche facility operates at *** percent of its capacity of *** tons of OCTG and line pipe.
2009	U.S. Steel	Plant idling: The Lorain small OD seamless pipe mill will be idle through April. The large OD seamless pipe mill restarted in March after several weeks of idling. The Lone Star facility is currently idle with a capacity of *** tons of OCTG, line pipe, and structural pipe. The Belleville is currently idle with capacity of *** tons of OCTG.
	Tenaris	Reduced operating rate: The Texas facility currently operates at *** percent of its capacity of *** tons of OCTG and line pipe. The Hickman facility currently operates at *** percent of its capacity of *** tons of OCTG and line pipe. The Calgary facility is currently idle with a capacity of *** tons of OCTG, line pipe.
	Tianjin Pipe Group Corp. (China)	New investment: Tianjin announces plans to construct a \$1 billion new pipe complex in Texas, to be operational by 2011.
	Wuxi Seamless Oil Pipe Co.	New investment: Wuxi (an affiliate of WSP Holdings Limited, China) plans to build a \$35-million facility in Houston. WSP is China's third largest OCTG producer.
Sources: <i>American Metal Market</i> , several issues; Metal Bulletin Research, <i>Seamless Steel Tube and Pipe Monthly</i> , several issues; Metal Bulletin Research, <i>Welded Steel Tube and Pipe Monthly</i> , several issues; Preston Publishing Company, several issues; SBB Daily Briefing, Global Edition - May 4, 2007: "SSAB to Purchase IPSCO for \$7.7bn Cash;" Press Releases from Strasburger & Price, LLP: "Lone Star Technologies, Inc. Completes Purchase of Bellville Tube Corporation's Assets," and "Strasburger Represents Lone Star Technologies in Two Strategic Announcements;" companies' financial reports; and staff telephone interviews.		

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for OCTG are presented in table III-3.⁴ The overall growth in production between 2006 and 2008 reflected increased production of seamless, rather than welded, OCTG, most notably by ***.⁵

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

Item	Calendar year			January-March--	
	2006	2007	2008	2008	2009
Capacity (<i>short tons</i>)	4,042,830	3,885,435	4,104,087	993,922	1,068,868
Production (<i>short tons</i>)	2,901,917	2,514,935	3,068,643	717,756	330,514
Capacity utilization (<i>percent</i>)	71.8	64.7	74.8	72.2	30.9

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

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

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of OCTG are presented in table III-5. U.S. shipments rose by nearly 7 percent, by quantity, between 2006 and 2008, but were more than 50 percent lower in the first quarter of 2009 as compared with first quarter of 2008. Average unit values did not shift markedly between 2006 and 2007, but increased noticeably in 2008, and were substantially higher in the first quarter of 2009 than in the first quarter of 2008.

⁴ While U.S. mills reported available rolling capacity through the period for which data were collected, the availability of heat treatment posed an additional constraint for products such as seamless alloy steel OCTG that require additional processing. According to their questionnaires, ***. *** had available capacity in 2009, as did ***, which also reported that its heat-treat capacity exceeds its seamless OCTG production by *** short tons in 2008. See submission of May 15, 2009, on behalf of ***.

⁵ U.S. producers reported lower production levels in January-March 2009 than in January-March 2008, reflecting the idling of several facilities (including the indefinite idling of two welded pipe facilities by U.S. Steel). U.S. producers did not, however, reduce their reported capacity levels during this period.

Table III-4

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

Item	Calendar year			January-March--	
	2006	2007	2008	2008	2009
Capacity (short tons)					
Welded tubular products	3,245,326	3,167,112	3,186,054	796,764	796,764
Seamless tubular products	2,604,250	2,610,250	2,634,750	657,688	686,438
Total	5,849,576	5,777,362	5,820,804	1,454,452	1,483,202
Production (short tons)					
Welded					
Oil/gas well casing	***	***	***	***	***
Oil/gas well tubing	***	***	***	***	***
Standard, line and pressure pipe	645,454	737,185	718,230	200,735	96,822
Mechanical tubing	***	***	***	***	***
Other tubing	***	***	***	***	***
Total welded	2,272,556	2,092,469	2,339,253	587,432	236,343
Seamless					
Oil/gas well casing	***	***	***	***	***
Oil/gas well tubing	***	***	***	***	***
Drill pipe	***	***	***	***	***
Standard, line and pressure pipe	457,700	322,353	365,327	92,539	17,621
Mechanical tubing	***	***	***	***	***
Other tubing	***	***	***	***	***
Total seamless	1,968,999	1,692,026	2,045,534	490,690	229,087
Total welded & seamless	4,241,555	3,784,495	4,384,787	1,078,122	465,430
Capacity utilization (percent)					
Welded tubular products	70.0	66.1	73.4	73.7	29.7
Seamless tubular products	75.6	64.8	77.6	74.6	33.4
Average	72.5	65.5	75.3	74.1	31.4
Source: Compiled from data submitted in response to Commission questionnaires.					

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

Item	Calendar year			January-March--	
	2006	2007	2008	2008	2009
Quantity (short tons)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	2,768,150	2,368,648	2,959,553	702,542	312,046
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Value (1,000 dollars)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	4,106,212	3,283,640	6,122,862	902,534	763,832
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Unit value (per short ton)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	\$1,483	\$1,386	\$2,069	\$1,285	\$2,448
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Share of quantity (percent)					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0
¹ Not applicable.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

ORDER BOOK

Table III-6 presents reported quantity of OCTG, seamless and welded, entered in reporting firm's "order books" at the close of specified months. Reported lead times ranged from 7 to 90 days with the shortest times registered by all producers on March 31, 2009. The longest periods were June 30 periods of 2006 and 2008. *** reported no orders in 2009.

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

Period	Seamless	Welded	Total
Quantity (<i>short tons</i>)			
2006			
March 31	***	***	454,407
June 30	***	***	429,603
September 30	***	***	387,055
December 31	***	***	325,478
2007			
March 31	***	***	322,547
June 30	***	***	321,532
September 30	***	***	435,010
December 31	***	***	421,339
2008			
March 31	***	***	662,866
June 30	***	***	650,566
September 30	***	***	605,982
December 31	***	***	272,515
2009			
March 31	***	***	58,504
Source: Compiled from data submitted in response to Commission questionnaires.			

U.S. PRODUCERS' INVENTORIES

Table III-7, which presents end-of-period inventories for OCTG, indicates that producers' inventories peaked in absolute terms in 2007. However, by March of 2009, producers' inventories were equivalent to approximately one-third of the diminished annualized production and U.S. shipment levels, reflecting in particular higher levels of welded OCTG inventories.⁶

Table III-7
OCTG: U.S. producers' end-of-period inventories, 2006-08, January-March 2008, and January-March 2009

Item	Calendar year			January-March--	
	2006	2007	2008	2008	2009
Inventories (<i>short tons</i>)	378,045	460,094	436,970	452,608	437,154
Ratio to production (<i>percent</i>)	13.0	18.3	14.2	15.8	33.1
Ratio to U.S. shipments (<i>percent</i>)	13.7	19.4	14.8	16.1	35.0
Ratio to total shipments (<i>percent</i>)	***	***	***	***	***
Note.--Partial-year ratios are based on annualized production and shipments.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of OCTG are presented in table III-8.

Table III-8
OCTG: U.S. producers' imports and purchases, 2006-08, January-March 2008, and January-March 2009

* * * * *

⁶ ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for OCTG are presented in table III-9.

Table III-9

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

Item	Calendar year			January-March--	
	2006	2007	2008	2008	2009
Production and related workers	5,263	5,240	5,585	5,214	3,836
Hours worked (<i>1,000</i>)	11,409	10,840	12,233	2,853	1,779
Wages paid (<i>\$1,000</i>)	292,757	276,748	331,024	83,291	57,915
Hourly wages	\$25.66	\$25.53	\$27.06	\$29.19	\$32.55
Productivity (<i>short tons per 1,000 hours</i>)	254.4	232.0	250.8	251.6	185.8
Unit labor costs (<i>per short ton</i>)	\$100.88	\$110.04	\$107.87	\$116.04	\$175.23
Source: Compiled from data submitted in response to Commission questionnaires.					

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

U.S. IMPORTERS

Importer questionnaires were sent to 156 firms believed to be importers of subject OCTG, as well as to all U.S. producers of OCTG.¹ Usable questionnaire responses were received from 43 companies,² representing 85.7 percent of total imports from China and 49.1 percent of all other imports in 2008, under HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.³ Table IV-1 lists all responding U.S. importers of OCTG from China and other sources, their U.S. headquarters, and their shares of U.S. imports, in 2008.

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

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

Table continued on next page.

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

² Two firms provided questionnaire responses that did not have useable trade data: ***.

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

Table IV-1--Continued

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

Firm	Headquarters	Source(s) of imports	Share of imports (percent)		
			China	Other	Total
Houston OCTG Group ⁶	Houston, TX	***	***	***	***
JD Rush ⁷	Houston, TX	***	***	***	***
Jilus/Tubular Synergy Group ⁸	Fort Lee, NJ; Addison, TX	***	***	***	***
KPC Imports ⁹	Santa Fe Springs, CA	***	***	***	***
MacSteel International ¹⁰	White Plains, NY	***	***	***	***
Marubeni-Itochu ¹¹	Houston, TX	***	***	***	***
MC Tubular ¹²	Houston, TX	***	***	***	***
Mike Jordan	Ft. Smith, AR	***	***	***	***
Nexgen Metals ¹³	Torrance, CA	***	***	***	***
Okaya (USA), Inc. ¹⁴	Houston, TX	***	***	***	***
Oxbow Steel International	Pleasant Hill, CA	***	***	***	***
PacRim Pipes	Issaquah, WA	***	***	***	***
PanMeridian Tubular ¹⁵	Houston, TX	***	***	***	***
S B International ¹⁶	Dallas, TX	***	***	***	***
Seba Pipe, Ltd.	Houston, TX	***	***	***	***
Shengli Highland ¹⁷	Houston, TX	***	***	***	***
SNT Services, Inc.	Houston, TX	***	***	***	***
Standard Tube Co.	Houston, TX	***	***	***	***
Tenaris Global/Maverick ¹⁸	Houston, TX	***	***	***	***
TMK IPSCO ¹⁹	Downers Grove, IL	***	***	***	***
Toyota Tsusho	Houston, TX	***	***	***	***
TPCO Enterprise, Inc. ²⁰	Houston, TX	***	***	***	***
United Casing	Houston, TX	***	***	***	***
U.S. Steel ²¹	Pittsburgh, PA	***	***	***	***

Table continued on next page.

Table IV-1--Continued

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

Firm	Headquarters	Source(s) of imports	Share of imports (percent)		
			China	Other	Total
Victor Development ¹⁷	Houston, TX	***	***	***	***
Voest-Alpine Tubular ²²	Houston, TX	***	***	***	***
V&M Star, LP & V&M TCA ²³	Houston, TX	***	***	***	***
Total - Commerce			85.7	49.1	70.7
1 *** 2 *** 3 *** 4 *** 5 *** 6 *** 7 *** 8 **** 9 *** 10 *** 11 *** 12 *** 13 *** 14 *** 15 *** 16 *** 17 *** 18 *** 19 *** 20 *** 21 *** 22 *** 23 ***					
Note.--Because of rounding, figures may not add to the totals shown. U.S. imports from China, nonsubject countries, and total imports each do not add up to 100 percent because questionnaire coverage of U.S. imports from subject and nonsubject countries is incomplete.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. IMPORTS

Table IV-2 presents official Commerce data for U.S. imports of OCTG from China and all other sources.⁴ U.S. imports of seamless and welded OCTG from China tripled while most of the increase from nonsubject countries consisted of seamless OCTG. Table IV-3 presents U.S. imports from major sources and table IV-4 presents monthly imports of OCTG. Houston, TX, was the port of entry for 85.7 percent of 2008 OCTG imports from China and Los Angeles, CA accounted for 10.6 percent; nonsubject imports also entered the United States primarily through Texas and California ports.

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

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

Source	Calendar year			January-March	
	2006	2007	2008	2008	2009
Quantity (short tons)					
China	725,027	860,711	2,197,556	280,660	577,282
Nonsubject	1,204,575	864,612	1,534,713	256,706	387,990
Total	1,929,601	1,725,323	3,732,269	537,367	965,272
Value (1,000 dollars)¹					
China	681,292	811,542	2,805,206	252,241	884,517
Nonsubject	1,598,489	1,089,955	2,572,888	295,135	779,942
Total	2,279,781	1,901,497	5,378,094	547,377	1,664,459
Unit value (per short ton)¹					
China	\$940	\$943	\$1,277	\$899	\$1,532
Nonsubject	1,327	1,261	1,676	1,150	2,010
Average	1,181	1,102	1,441	1,019	1,724
Share of quantity (percent)					
China	37.6	49.9	58.9	52.2	59.8
Nonsubject	62.4	50.1	41.1	47.8	40.2
Total	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
China	29.9	42.7	52.2	46.1	53.1
Nonsubject	70.1	57.3	47.8	53.9	46.9
Total	100.0	100.0	100.0	100.0	100.0
¹ Landed, U.S. port of entry, duty-paid.					
Source: Compiled from official Commerce statistics; HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.					

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

Country	Calendar year			January - March	
	2006	2007	2008	2008	2009
Quantity (short tons)					
China ¹	725,027	860,711	2,197,556	280,660	577,282
Korea ²	201,142	210,421	360,430	85,334	100,824
Canada	146,355	153,193	225,889	45,547	21,624
Germany	122,275	81,535	139,030	22,898	40,932
Japan	72,020	26,433	103,338	2,853	35,585
Austria	84,093	62,642	93,700	21,281	19,645
Colombia	70,451	77,882	93,503	17,328	6,564
India	34,132	23,785	90,887	12,051	12,908
Argentina	2,025	5,119	70,324	2,002	18,985
Russia	97,478	28,713	62,770	7,534	39,019
Mexico	428	7,903	60,890	9,918	15,664
All other	374,174	186,985	233,954	29,961	76,239
Total	1,929,602	1,725,323	3,732,269	537,366	965,272
Value (\$1,000)					
China ¹	681,292	811,542	2,805,206	252,241	884,517
Korea ²	168,958	177,902	412,497	69,511	119,513
Canada	201,173	206,401	395,162	61,897	49,783
Germany	179,014	125,565	261,117	31,862	88,731
Japan	301,352	104,617	207,690	5,365	95,824
Austria	142,940	101,381	184,903	31,407	50,620
Colombia	91,451	99,667	176,515	23,068	12,225
India	44,389	28,100	154,293	14,769	22,996
Argentina	1,740	9,346	159,821	3,355	50,397
Russia	90,978	25,974	93,792	5,504	73,343
Mexico	173	11,838	132,572	15,525	52,510
All other	376,320	199,165	394,526	32,871	164,001
Total	2,279,781	1,901,497	5,378,094	547,376	1,664,459

Table continued on next page.

Table IV-3--Continued

OCTG: U.S. imports, by sources, 2006-08, January-March 2008, and January-March 2009

Country	Calendar year			January - March	
	2006	2007	2008	2008	2009
Unit value (<i>dollars per short ton</i>)					
China ¹	\$940	\$943	\$1,277	\$899	\$1,532
Korea ²	840	845	1,144	815	1,185
Canada	1,375	1,347	1,749	1,359	2,302
Germany	1,464	1,540	1,878	1,391	2,168
Japan	4,184	3,958	2,010	1,881	2,693
Austria	1,700	1,618	1,973	1,476	2,577
Colombia	1,298	1,280	1,888	1,331	1,863
India	1,300	1,181	1,698	1,226	1,782
Argentina	859	1,826	2,273	1,676	2,655
Russia	933	905	1,494	731	1,880
Mexico	405	1,498	2,177	1,565	3,352
All other	1,006	1,065	1,686	1,097	2,151
Average	1,181	1,102	1,441	1,019	1,724
¹ The large majority of U.S. imports from China are seamless OCTG. ² All U.S. imports from Korea are welded OCTG.					
Source: Compiled from official Commerce statistics.					

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

Source	January	February	March	April	May	Jun	July	August	September	October	November	December	Total
2006													
China	31,149	33,281	60,883	60,289	52,306	57,638	84,732	60,090	57,843	77,447	60,438	88,931	725,027
Nonsubject	129,914	95,961	86,669	120,509	129,587	88,315	119,755	113,183	75,322	87,460	91,467	66,432	1,204,575
Total	161,063	129,241	147,552	180,798	181,893	145,953	204,486	173,274	133,166	164,907	151,905	155,363	1,929,601
2007													
China	80,300	74,069	59,477	52,931	104,535	83,209	75,807	58,467	74,489	61,237	95,135	41,054	860,711
Nonsubject	85,640	75,947	85,336	72,958	73,599	68,097	76,903	64,312	74,894	55,023	80,536	51,367	864,612
Total	165,940	150,016	144,813	125,889	178,133	151,306	152,710	122,779	149,383	116,261	175,670	92,422	1,725,323
2008													
China	90,410	91,282	98,968	74,292	96,398	150,731	144,184	186,005	300,556	324,615	363,841	276,275	2,197,556
Nonsubject	106,675	45,909	104,123	101,191	123,554	93,611	153,617	120,295	157,414	181,626	181,118	165,580	1,534,713
Total	197,085	137,191	203,090	175,483	219,951	244,342	297,801	306,300	457,970	506,240	544,960	441,855	3,732,269
2009													
China	273,094	182,496	121,691										577,282
Nonsubject	195,211	76,860	115,919										387,990
Total	468,305	259,357	237,610										965,272

Note.--Product coverage not consistent due to inclusion of data for stainless steel OCTG during 2006.

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

CRITICAL CIRCUMSTANCES

The petition alleges that “critical circumstances” exist with regard to imports from China of OCTG.^{5 6} Certain subject imports may be subject to antidumping duties retroactive by 90 days from the effective date of Commerce’s preliminary LTFV determination, if affirmative. Table IV-4 presents current monthly import data.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.⁷ Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.⁸ Imports from China accounted for 60.0 percent of total imports of OCTG by quantity from April 2008 - March 2009.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of OCTG during the period of investigation are shown in table IV-5 and figure IV-1. Apparent U.S. consumption, particularly of seamless OCTG, increased sharply in 2008 after declining in 2007, with U.S. imports from China accounting for slightly more than one-half of the increase in 2008. Although apparent U.S. consumption was lower in January-March 2009 than in January-March 2008, U.S. imports from China and, to a lesser extent nonsubject countries, were higher.⁹

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

⁶ *Certain Oil Country Tubular Goods from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 74 FR 20678, May 5, 2009, presented in app. A. When petitioners file timely allegations of critical circumstances, Commerce examines whether there is a reasonable basis to believe or suspect that (1) either there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

⁷ Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act.

⁸ Section 771(24) of the Act.

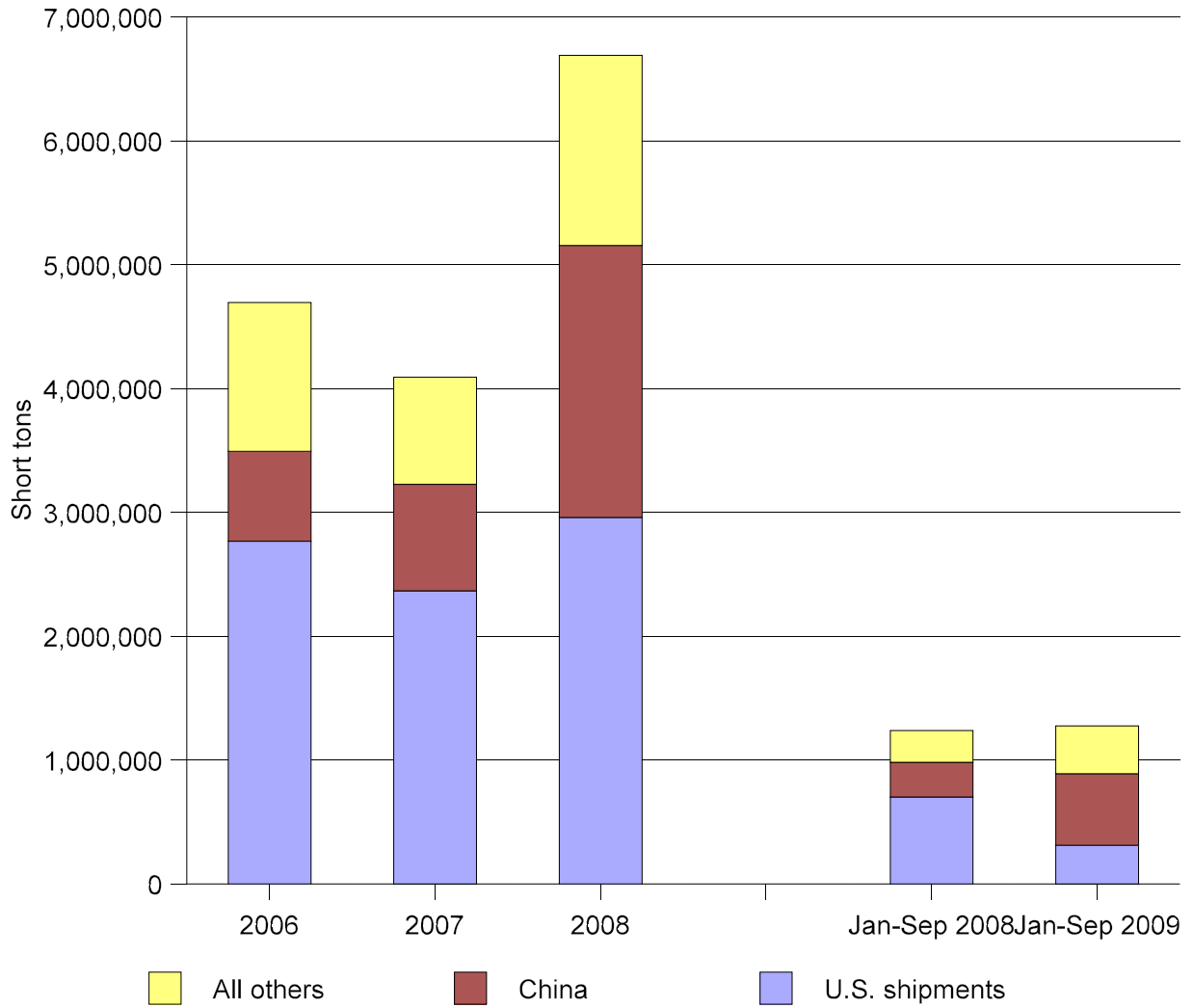
⁹ As discussed in Part IVII of this report, U.S. importers’ inventories expanded noticeably in 2008 and 2009.

Table IV-5

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

Item	Calendar year			January-March	
	2006	2007	2008	2008	2009
Quantity (<i>short tons</i>)					
U.S. producers' U.S. shipments	2,768,150	2,368,648	2,959,553	702,542	312,046
U.S. imports from-- China	725,027	860,711	2,197,556	280,660	577,282
Nonsubject countries	1,204,575	864,612	1,534,713	256,706	387,990
Total U.S. imports	1,929,601	1,725,323	3,732,269	537,367	965,272
Apparent U.S. consumption	4,697,751	4,093,971	6,691,822	1,239,909	1,277,318
Value (<i>1,000 dollars</i>)					
U.S. producers' U.S. shipments	4,106,212	3,283,640	6,122,862	902,534	763,832
U.S. imports from-- China	681,292	811,542	2,805,206	252,241	884,517
Nonsubject countries	1,598,489	1,089,955	2,572,888	295,135	779,942
Total U.S. imports	2,279,781	1,901,497	5,378,094	547,377	1,664,459
Apparent U.S. consumption	6,385,993	5,185,137	11,500,956	1,449,911	2,428,291
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

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



Source: Table IV-5.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-6. Data show that U.S. producers' share of U.S. consumption (by quantity) declined by more than 14 percentage points during 2006-08 and by more than 32 percentage points between January-March 2008 and January-March 2009. U.S. imports from China accounted for a growing share of the U.S. market, increasing in each consecutive period, while the market share held by nonsubject imports from all other sources fluctuated during 2006 and 2008, but was higher in January-March 2009 than January-March 2008.

Table IV-6

OCTG: U.S. consumption and market shares, 2006-08, January-March 2008, and January-March 2009

Item	Calendar year			January-March	
	2006	2007	2008	2008	2009
Quantity (short tons)					
Apparent U.S. consumption	4,697,751	4,093,971	6,691,822	1,239,909	1,277,318
Value (1,000 dollars)					
Apparent U.S. consumption	6,385,993	5,185,137	11,500,956	1,449,911	2,428,291
Share of quantity (percent)					
U.S. producers' U.S. shipments	58.9	57.9	44.2	56.7	24.4
U.S. imports from--					
China	15.4	21.0	32.8	22.6	45.2
Nonsubject countries	25.6	21.1	22.9	20.7	30.4
All countries	41.1	42.1	55.8	43.3	75.6
Share of value (percent)					
U.S. producers' U.S. shipments	64.3	63.3	53.2	62.2	31.5
U.S. imports from--					
China	10.7	15.7	24.4	17.4	36.4
Nonsubject countries	25.0	21.0	22.4	20.4	32.1
All countries	35.7	36.7	46.8	37.8	68.5
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of OCTG is presented in table IV-7.

Table IV-7

OCTG: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2006-08, January-March 2008, and January-March 2009

Item	Calendar year			January-March	
	2006	2007	2008	2008	2009
Quantity (<i>short tons</i>)					
U.S. production	2,901,917	2,514,935	3,068,643	717,756	330,514
Imports from:					
China	725,027	860,711	2,197,556	280,660	577,282
Nonsubject countries	1,204,575	864,612	1,534,713	256,706	387,990
Total imports	1,929,601	1,725,323	3,732,269	537,367	965,272
Ratio of U.S. imports to production (<i>percent</i>)					
Imports from:					
China	25.0	34.2	71.6	39.1	174.7
Nonsubject countries	41.5	34.4	50.0	35.8	117.4
Total imports	66.5	68.6	121.6	74.9	292.1
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

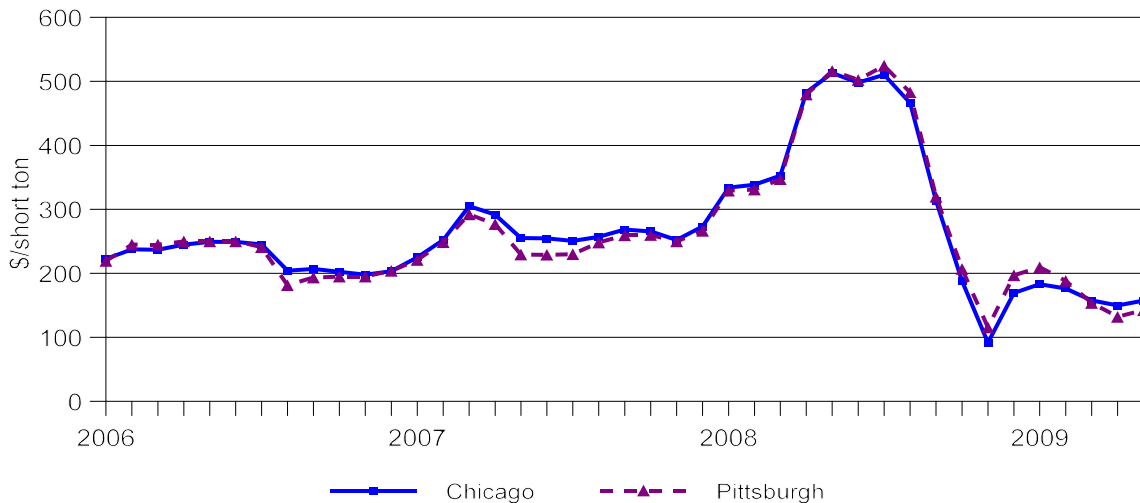
PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials as a share of cost of goods sold for domestic producers of OCTG decreased from 60.7 percent in 2006 to 60.1 percent in 2007, and then increased to 69.4 percent in 2008. Raw materials for domestic producers of OCTG were only 50.3 percent of the cost of good sold during January-March 2009, however, as the relative shares of other factory costs soared following the idling of several OCTG facilities. The key costs in producing OCTG are raw materials such as hot-rolled steel and billets; inputs such as coke, scrap, pig iron, and hot-briqueted iron; and energy and labor costs. The price of scrap and the price of hot-rolled coil remained relative stable during 2006 and 2007, doubled over the first three quarters of 2008, and then decreased to levels similar to those at the beginning of the period (figures V-1 and V-2). In addition, the prices of natural gas, electricity, and iron ore rose between 2006 and 2008, with noticeable increases for each in 2008 (table V-1).

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



Source: American Metal Market LLC.

Figure V-2
Hot-rolled coil prices: Selling prices, monthly, January 2006-February 2009

* * * * *

Table V-1**U.S. natural gas, electricity, and iron ore average annual prices, 2006-08**

Item	2006	2007	2008
U.S. natural gas industrial price ¹	\$7.87	\$7.68	\$9.61
Electricity industrial price ²	6.13	6.39	6.90
Iron ore (per metric ton)	53.88	59.64	66.00
¹ Price to industrial users in dollars per thousand cubic feet. ² Price to industrial users in cents per kilowatt-hour. Sources: U.S. Energy Information Administration, http://www.eia.doe.gov , official statistics of the U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/epm/table5_3.html , and http://minerals.usgs.gov/minerals/pubs/commodity/iron_ore/mcs-2009-feore.pdf .			

U.S. Inland Transportation Costs

Five of 6 responding producers and 16 of 45 responding importers indicated that their firm generally arranges for transportation to the customers' locations, with one producer and two importers indicating that both the firm or purchaser arranges for transportation. U.S. producers estimated their U.S. inland transportation costs were between 2 and 5 percent, with importers estimating that their transportation costs ranged between zero (they sell direct discharge to truck) to 13 percent.

Transportation Costs to the U.S. Market

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

¹ Based on statistical reporting numbers 7304.29, 7305.20, 7306.20, and 7306.29.

Figure V-3
Baltic Dry Index, April 2006-May 2009



Source: <http://stockcharts.com/h-sc/ui>, accessed May 12, 2009.

PRICING PRACTICES

Pricing Methods

Four of seven responding producers indicated that their prices were determined on a transaction-by-transaction basis and the other three producers reported that they use other methods including price lists or a combination of methods. Twenty-nine of 45 responding importers determined prices on a transaction-by-transaction basis, and the remaining importers set prices mainly according to current competitive offers.

OCTG is sold primarily on a spot basis. Four producers reported that 100 percent of their sales were on a spot basis and one producer reported that the majority of its sales are on a long-term contract basis. Similarly, 18 importers reported that the majority of their sales were on a spot basis, 11 importers reported that the majority of sales were made using short-term contracts, and one importer reported that 100 percent of its sales were on a long-term contract basis.

Sales Terms and Discounts

Three of 7 responding producers and 18 of 43 responding importers reported using discounts for their sales of OCTG. Two producers and five importers reported offering quantity discounts, while one producer and 12 importers offer early payment discounts. All 7 responding producers and 28 of the responding importers reported that the majority of their sales are made to order, while 11 importers reported that more than 65 percent of their sales are from inventory.

Producers reported lead times of 1-30 days from inventory or 30-90 days for sales of product which is made to order. The majority of importers reported lead times of 1-30 days from inventory or 3-6 months for sales of product that is made to order.²

² Six importers reported lead times from inventory that were longer than 30 days.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data on the total quantity and f.o.b. value for sales of the following six OCTG products during January 2006 to March 2009:

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

Product 2.--Casing, Grade J-55, 5 1/2" O.D., 15.5 lbs./ft., threaded and coupled, range 3, welded

Product 3.--Casing, Grade N-80, 5 1/2" O.D., 17.0 lbs./ft., threaded and coupled, range 3, seamless

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

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

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

Four U.S. producers (***) provided usable pricing data for sales of the requested OCTG products, although not all firms reported pricing for all products and for all quarters. Price data reported by these firms accounted for *** percent of U.S. producers' commercial shipments of OCTG during January 2006-March 2009. Twenty-five importers provided usable pricing data for imports from China.³ Price data reported by these firms accounted for *** percent of commercial shipments of OCTG from China during January 2006-March 2009. In addition, several importers reported pricing data from nonsubject countries.⁴

Price data for OCTG products are presented in tables V-2 to V-7 and figure V-4.

³ These firms include ***.

⁴ These data are presented in Appendix E.

Table V-2

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 1,¹ and margins of underselling/(overselling), January 2006-March 2009

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	<i>per short ton</i>	<i>short tons</i>	<i>per short ton</i>	<i>short tons</i>	<i>percent</i>
2006:					
January-March	***	***	\$1,174	3,300	***
April-June	***	***	1,145	8,622	***
July-September	***	***	1,160	13,230	***
October-December	***	***	1,112	11,760	***
2007:					
January-March	***	***	1,115	8,546	***
April-June	***	***	1,074	10,348	***
July-September	***	***	1,095	6,530	***
October-December	***	***	1,036	10,682	***
2008:					
January-March	***	***	1,132	5,760	***
April-June	***	***	1,408	7,389	***
July-September	***	***	1,622	13,154	***
October-December	***	***	1,778	11,228	***
2009:					
January-March	***	***	1,743	13,930	***

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

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

Table V-3

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

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	<i>per short ton</i>	<i>short tons</i>	<i>per short ton</i>	<i>short tons</i>	<i>percent</i>
2006:					
January-March	***	***	-	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***
October-December	***	***	***	***	***
2007:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***
October-December	***	***	***	***	***
2008:					
January-March	***	***	\$977	1,691	***
April-June	***	***	1,371	911	***
July-September	***	***	2,265	3,646	***
October-December	***	***	1,547	4,733	***
2009:					
January-March	***	***	1,797	1,237	***

¹ Product 2.— Casing, Grade J-55, 5 ½" O.D., 15.5 lbs./ft., threaded and coupled, range 3, welded.

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

Table V-4

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

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	<i>per short ton</i>	<i>short tons</i>	<i>per short ton</i>	<i>short tons</i>	<i>percent</i>
2006:					
January-March	***	***	\$1,195	5,022	***
April-June	***	***	1,263	4,367	***
July-September	***	***	1,204	5,024	***
October-December	***	***	1,120	7,842	***
2007:					
January-March	***	***	1,283	2,619	***
April-June	***	***	1,157	9,624	***
July-September	***	***	1,217	5,001	***
October-December	***	***	1,185	3,616	***
2008:					
January-March	***	***	1,233	6,938	***
April-June	***	***	1,518	8,445	***
July-September	***	***	1,887	22,778	***
October-December	***	***	2,015	41,984	***
2009:					
January-March	***	***	1,967	21,269	***
¹ Product 3.— Casing, Grade N-80, 5 ½" O.D., 17.0 lbs./ft., threaded and coupled, range 3, seamless. Source: Compiled from data submitted in response to Commission questionnaires.					

Table V-5

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table V-6

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

Period	United States		China		
	Price	Quantity	Price	Quantity	Margin
	<i>per short ton</i>	<i>short tons</i>	<i>per short ton</i>	<i>short tons</i>	<i>percent</i>
2006:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***
October-December	***	***	***	***	***
2007:					
January-March	***	***	***	***	***
April-June	***	***	***	***	***
July-September	***	***	***	***	***
October-December	***	***	***	***	***
2008:					
January-March	***	***	\$897	1,874	***
April-June	***	***	1,308	4,068	***
July-September	***	***	1,865	10,763	***
October-December	***	***	1,916	15,072	***
2009:					
January-March	***	***	1,855	13,929	***
¹ Product 5.— Casing, Grade J-55, 9 5/8" O.D., 36.0 lbs./ft., threaded and coupled, range 3, welded. Source: Compiled from data submitted in response to Commission questionnaires.					

Table V-7

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 6, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Figure V-4

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

* * * * *

Price Trends

Weighted-average prices for U.S.-produced OCTG generally fluctuated within a narrow range during 2006 and 2007 period with no apparent trend, then increased during 2008 by over \$1,000 per short ton before declining in 2009 (albeit to levels still substantially higher than in 2006-07). Prices for imports from China also fluctuated within a narrower range during 2006 and 2007. In 2008, the prices of products 1, 3, and 5 rose before flattening out in the first quarter of 2009; product 2 increased in the first 3 quarters of 2008, decreased in the fourth quarter of 2008, and increased again in the first quarter of 2009; the price of product 4 product rose rapidly from the first quarter of 2008 to the third quarter of 2008 and then declined; product 6 followed a similar trend to the U.S.-produced OCTG (table V-8).

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

Item	Number of quarters	Low price (per short ton)	High price (per short ton)	Change in price ¹ (percent)
Product 1²				
United States	13	***	***	***
China	13	1,036	1,778	48.5
Product 2³				
United States	13	***	***	***
China	9	***	2,265	***
Product 3²				
United States	13	***	***	***
China	13	1,120	2,015	64.6
Product 4³				
United States	13	***	***	***
China	5	***	***	***
Product 5³				
United States	13	***	***	***
China	13	897	1,916	73.8
Product 6²				
United States	13	***	***	***
China	13	***	***	***

¹ Percentage change from the first quarter in which price data were available to the last quarter in which price data were available, based on unrounded data.

² Products 1, 3, and 6 are seamless OCTG products.

³ Products 2, 4, and 5 are welded OCTG products.

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

Price Comparisons

As shown in table V-9, there were 66 instances where prices for domestic OCTG and imported OCTG from China could be compared. U.S.-produced OCTG products were priced higher than imports from China in 48 of the 66 possible comparisons. In terms of quantity, 90.8 percent of imports of OCTG from China covered by these comparisons was priced lower than comparable U.S. product. By both measures, underselling was more pronounced in 2008-09 than in 2006-07 and more prevalent for seamless pricing items than for welded pricing items.

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

Period	Total price comparisons		Underselling by imports			Overselling by imports		
	No.	Quantity (short tons)	No.	Quantity (short tons)	Range of underselling (percentage)	No.	Quantity (short tons)	Range of overselling (percentage)
Year								
2006	18	***	13	***	***	5	***	***
2007	18	***	11	***	***	7	***	***
2008	24	***	18	***	***	6	***	***
Jan-Mar 2009	6	***	6	***	***	0	0	-
Total	66	426,309	48	387,201	1.0-35.6	18	39,107	0.9-17.4
Product								
Product 1 ¹	13	***	13	***	***	0	0	-
Product 2 ²	9	***	5	***	***	4	***	***
Product 3 ¹	13	***	13	***	***	0	0	-
Product 4 ²	5	***	3	***	***	2	***	***
Product 5 ²	13	***	6	***	***	7	***	***
Product 6 ¹	13	***	8	***	***	5	***	***
Total	66	426,309	48	387,201	1.0-35.6	18	39,107	0.9-17.4
¹ Products 1, 3, and 6 are seamless OCTG products. ² Products 2, 4, and 5 are welded OCTG products.								
Source: Compiled from data submitted in response to Commission questionnaires.								

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of OCTG to report any instances of lost sales or revenues they experienced due to competition from imports from China during January 2006 to March 2009. U.S. producers provided 25 lost sales allegations and did not provide any lost revenue allegations. The 25 lost sales allegations regarding China totaled \$58,070,698. Staff contacted the 14 purchasers cited in the allegations; of which 5 purchasers responded.⁵ One purchaser agreed with the lost sales allegations, while four disagreed. Information from purchasers are summarized in table V-10 and discussed below.

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

* * * * *

***.

⁵ Purchasers ***, ***, ***, *** and *** responded to five lost sale allegations. Staff contacted all purchasers on two separate occasions.

PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

Background

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

Operations on OCTG

Income-and-loss data for U.S. firms on their operations on OCTG are presented in table VI-1, while selected financial data, by firm, are presented in table VI-2. The domestic industry experienced increasing operating income from 2006 to 2008, and continued to experience higher operating income in January-March 2009 as compared to January-March 2008. Total net sales quantity and value increased from 2006 to 2008, with a notably larger increase in net sales value during this time. In January-March 2009, both net sales quantity and value were lower than in January-March 2008, although the reduction in net sales quantity was substantially greater than the reduction in net sales value. Thus, per-short ton net sales value increased from 2006 to 2008, and was higher still in January-March 2009. While the per-short ton cost of goods sold (“COGS”) and selling, general, and administrative (“SG&A”) expenses, combined, increased during the period for which data were collected, net sales values increased at a greater rate, thus leading to increasing profits on a per-short ton basis and as a ratio to sales.³

¹ The U.S. producers are ***.

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

³ At the conference and in their postconference briefs, the petitioners argued that the operating profits reported in the first quarter of 2009 reflect longer term price commitments from “program sales” – short-term contracts between a distributor and a mill – in the last two quarters of 2008, and asserted that negative impact from subject imports on petitioners’ revenue and operating income is occurring in the current time frame. *See, e.g.*, conference transcript, pp. 9, 131-132 (Schagrin), pp. 66-67 (Schoaff); postconference brief of petitioners Evraz RMS, TMK IPSCO, V&M Star, Wheatland, and the United Steelworkers, pp. 9-10; postconference brief of petitioner U.S. Steel, pp. 25, 32-33; and postconference brief of petitioner Maverick, exh. 1, pp. 10-13.

Table VI-1

OCTG: Results of operations of U.S. producers, 2006-08, January-March 2008, and January-March 2009

Item	Fiscal year			January-March	
	2006	2007	2008	2008	2009
Quantity (short tons)					
Total net sales	2,894,857	2,450,634	3,096,902	724,241	329,874
Value (\$1,000)					
Total net sales	4,303,846	3,424,526	6,404,881	938,603	810,282
COGS	2,928,213	2,588,159	3,983,851	744,138	522,312
Gross profit	1,375,633	836,367	2,421,030	194,465	287,970
SG&A expenses	191,439	251,519	354,443	67,662	85,058
Operating income	1,184,194	584,848	2,066,587	126,803	202,912
Interest expense	29,171	19,145	22,119	4,693	11,813
Other income/(expense)	(8,480)	(13,302)	(189,360)	593	(9,782)
Net income	1,146,543	552,401	1,855,108	122,703	181,317
Depreciation ¹	57,026	52,044	127,577	16,656	40,809
Cash flow	1,203,569	604,445	1,982,685	139,359	222,126
Ratio to net sales (percent)					
COGS:					
Raw materials	41.3	45.4	43.2	54.1	32.4
Direct labor	6.7	8.4	4.9	8.1	6.4
Other factory costs	20.0	21.8	14.1	17.0	25.7
Total COGS	68.0	75.6	62.2	79.3	64.5
Gross profit	32.0	24.4	37.8	20.7	35.5
SG&A expenses	4.4	7.3	5.5	7.2	10.5
Operating income	27.5	17.1	32.3	13.5	25.0
Net income	26.6	16.1	29.0	13.1	22.4
Unit value (per short ton)					
Total net sales	\$1,487	\$1,397	\$2,068	\$1,296	\$2,456
COGS:					
Raw materials	614	634	893	702	796
Direct labor	99	117	102	105	157
Other factory costs	298	305	292	221	631
Total COGS	1,012	1,056	1,286	1,027	1,583
Gross profit	475	341	782	269	873
SG&A expenses	66	103	114	93	258
Operating income	409	239	667	175	615
Net income	396	225	599	169	550
Number of firms reporting					
Operating losses	0	0	1	2	2
Data	7	7	7	7	7

Table continued on next page.

Table VI-1-- continued

OCTG: Results of operations of U.S. producers, 2006-08, January-March 2008, and January-March 2009

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

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

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

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

Table VI-2

OCTG: Results of operations of U.S. producers, by firm, 2006-08, January-March 2008, and January-March 2009

* * * * *

While the overall industry reported a higher operating income margin in January-March 2009 relative to January-March 2008, *** firms - *** - reported lower profitability or greater operating losses during this time.^{4,5} *** stated that much of its reported increases in other factory costs, depreciation, and SG&A expenses in 2008 and January-March 2009 stemmed from ***.⁶ *** reported that subject imports from China had a severe negative impact on its reported profitability in 2007, 2008, and the first quarter of 2009. Further, *** stated that the firm's large increase in per-short ton SG&A expenses between the comparable interim periods largely reflects the fact that much of these costs are fixed, and thus as sales volume declined such costs increased on a per-short ton basis.⁷ Similarly, *** stated that the large operating loss in the first quarter of 2009 primarily reflects the impact of a decline in sales volume due to subject imports from China.⁸

⁴ Based on absolute values, *** also reported lower profitability in January-March 2009 on lower net sales volume; however, the firm's operating income margin was *** percentage points higher than in January-March 2008.

⁵ These three firms are all ***.

⁶ U.S. producers' questionnaire response of ***, question III-10, and e-mail correspondence from ***, May 4, 2009. ***.

⁷ Postconference brief of ***, exh. 1, pp. 1-5.

⁸ E-mail correspondence from ***, May 11, 2009.

Variance Analysis

A variance analysis for OCTG is presented in table VI-3. The information for the variance analysis is derived from table VI-1. The analysis shows that the improvement in operating income from 2006 to 2008, as well as between the comparable interim periods, is primarily attributable to the higher favorable price variance despite an increased unfavorable net cost/expense variance (that is, prices rose to a greater extent than costs/expenses).⁹

Table VI-3

OCTG: Variance analysis on operations of U.S. producers, 2006-08 and January-March 2008-09

Item	Between fiscal years			Jan.-March
	2006-08	2006-07	2007-08	2008-09
Value (\$1,000)				
Total net sales:				
Price variance	1,800,650	(218,884)	2,077,257	382,771
Volume variance	300,385	(660,436)	903,098	(511,092)
Total net sales variance	2,101,035	(879,320)	2,980,355	(128,321)
Cost of sales:				
Cost variance	(851,265)	(109,288)	(713,157)	(183,375)
Volume variance	(204,373)	449,342	(682,535)	405,201
Total cost variance	(1,055,638)	340,054	(1,395,692)	221,826
Gross profit variance	1,045,397	(539,266)	1,584,663	93,505
SG&A expenses:				
Expense variance	(149,643)	(89,457)	(36,595)	(54,240)
Volume variance	(13,361)	29,377	(66,329)	36,844
Total SG&A variance	(163,004)	(60,080)	(102,924)	(17,396)
Operating income variance	882,393	(599,346)	1,481,739	76,109
Summarized as:				
Price variance	1,800,650	(218,884)	2,077,257	382,771
Net cost/expense variance	(1,000,908)	(198,744)	(749,751)	(237,615)
Net volume variance	82,650	(181,718)	154,233	(69,047)
Note.-- Unfavorable variances are shown in parentheses; all others are favorable.				
Source: Compiled from data submitted in response to Commission questionnaires.				

⁹ A variance analysis is calculated in three parts, sales variance, cost of sales variance, and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the cost of sales and SG&A expense variance) and a volume variance. The sales or cost variance is calculated as the change in unit price times the new volume, while the volume variance is calculated as the change in volume times the old unit price. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively; and the volume variance is the sum of the lines under price and cost/expense variance. The net volume component is generally much less significant than the price variance and the net cost/expense variance.

Capital Expenditures and Research and Development Expenses

The responding firms' aggregate data on capital expenditures and research and development ("R&D") expenses are shown in table VI-4. All seven firms provided capital expenditure data, while only two firms provided data on R&D expenses. Capital expenditures for OCTG increased from 2006 to 2008, but declined between the comparable interim periods. *** reported the large majority of total capital expenditures during the period for which data were collected. According to ***, capital expenditures primarily reflect ***.¹⁰ According to V&M Star, capital expenditures reflect ***.^{11 12}

Table VI-4

OCTG: Capital expenditures and research and development expenses of U.S. producers, 2006-08, January-March 2008, and January-March 2009

Item	Fiscal year			January-March	
	2006	2007	2008	2008	2009
Value (\$1,000)					
Capital expenditures:					
Total	129,310	153,953	159,971	34,350	19,886
R&D expenses:					
Total	***	***	***	***	***

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

Assets and Return on Investment

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of OCTG to compute return on investment ("ROI"). Data on the U.S. producers' total assets and their ROI are presented in table VI-5. From 2006 to 2008, the total assets for OCTG increased from \$4.1 billion in 2006 to \$4.8 billion in 2007 and to \$7.0 billion in 2008, and the ROI ranged from 12.2 percent (in 2007) to 29.6 percent (in 2008). Much of the increase in current assets relates to increases in the selling prices and input costs for OCTG, while much of the increase in non-current assets relates to industry restructuring (e.g., the revaluation of fixed assets and increases in intangible assets).

¹⁰ E-mail correspondence from ***, May 4, 2009.

¹¹ E-mail correspondence from ***, April 30, 2009.

¹² Capital expenditures for seamless OCTG represented the majority of reported total capital expenditures during the period for which data were requested, increasing from *** percent in 2006 to *** percent in January-March 2009. While capital expenditures for seamless OCTG increased from 2006-08, such expenditures declined for welded OCTG. Capital expenditures for both seamless and welded OCTG declined between the comparable interim periods.

Table VI-5

OCTG: Asset values and return on investment of U.S. producers, 2006-08

Item	Fiscal year		
	2006	2007	2008
Value of assets:	Value (\$1,000)		
Current assets:			
Cash and equivalents	108,421	43,021	370,675
Accounts receivable, net	500,938	524,336	755,438
Inventories	921,218	730,988	1,194,645
Other	49,293	84,125	84,580
Total current assets	1,579,870	1,382,470	2,405,338
Property, plant and equipment:			
Original cost	1,846,938	1,984,351	2,712,094
Less: accumulated depreciation	946,295	935,240	1,232,360
Equals: book value	900,643	1,049,111	1,479,734
Other non-current assets	1,666,124	2,369,656	3,106,754
Total assets	4,146,637	4,801,237	6,991,826
Operating income or (loss)	1,184,194	584,848	2,066,587
Share (percent)			
Return on investment	28.6	12.2	29.6
Source: Compiled from data submitted in response to Commission questionnaires.			

CAPITAL AND INVESTMENT

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

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries and the global market.

THE INDUSTRY IN CHINA

OCTG is among the products that have been encouraged for development by the Government of China ("GOC") in its national economic five-year plan.¹ OCTG production also plays a role in the development of China's oil and gas industry in the Eleventh Five-Year Plan for Energy Development.² According to the petitioners, most of the key OCTG producers are also large basic steel producers and China's steel industry is a mixture of state-owned and private companies.³ On December 7, 2008, the GOC announced a 4 trillion yuan (\$586 billion) economic stimulus package, which would include government investments in public sector projects for two years to promote economic growth.⁴

According to the World Steel Association (WSA),⁵ since 2002, China has been the world's leading producer of all steel tubes. In 2007, its total production was 45 million short tons, an 18-percent increase over the 2006 level.⁶ More specifically, according to ***, during 2002-07, China was the world's leading producer of OCTG, accounting for approximately *** of the world's total OCTG production in 2007 (table VII-1).⁷

¹ See Ministry of Commerce of the People's Republic of China, "Catalogue of Major Industries, Products and Technologies Encouraged for Development in China," December 31, 1997 (Petition, Exhibit III-13).

² Petition, p. 7.

³ Petition, p. 106 and Vol. 1, Exhibit I.

⁴ "Impact of China's \$586 billion Remains Unclear," American Metal Market, November 10, 2008, found at http://www.amm.com/2008-11-10_18-09-13.html, retrieved May 1, 2009.

⁵ The WSA, formerly known as the International Iron and Steel Institute (IISI), is an international organization representing approximately 180 steel producers, national and regional steel industry associations, and steel research institutes. WSA members produce about 85 percent of the world's steel. WSA provides data for all tubular products, a much broader category than the subject products.

⁶ WSA, *Steel Statistical Yearbook 2008*, tables 25 and 26. WSA data are reproduced in tables VII-8, 9, and 10 of this report.

⁷ ***. According to ***'s information, China overtook the United States to become the world's largest OCTG producer in 2002.

Table VII-1
OCTG: Published estimates of production of OCTG, by region, 2005-07

* * * * *

Table VII-2 highlights China’s recent OCTG capacity developments according to ***.

Table VII-2
OCTG: Recent OCTG capacity expansion in China

* * * * *

In 2007, there were some concerns regarding the quality of Chinese tube and pipe exports to the United States.⁸ However, many of these concerns focused on nonsubject construction pipe, and the American Institute of Steel Construction, Inc. (AISC) did not find any conclusive evidence regarding the quality issue.⁹ According to petitioners, not only has Chinese product quality improved rapidly and become more widely accepted every year,¹⁰ but the Chinese heat treatment facilities utilized in the production of higher grade pipe are very modern.¹¹ Published sources confirm that many Chinese mills have begun operations during the last five years while older companies have modernized or expanded their production facilities recently.¹²

According to *Global Trade Atlas*, China has been the world’s leading OCTG exporter in recent years.¹³ During 2007-08, China’s OCTG exports increased by almost 2.4 million tons (126 percent) to nearly 4.3 million tons in 2008, accounting for 44 percent of the world’s total OCTG exports. China’s net trade surplus in OCTG increased by almost 2.4 million tons (137 percent) to 4.1 million tons in 2008, mostly in seamless OCTG. With respect to home market prospects, most Chinese oil and natural gas exploration activities have been concentrated in the onshore fields in the western province of Xinjiang, Sichuan, Gansu, and Inner Mongolia.¹⁴ Recently, Tianjin, China’s largest seamless tube producer, and Wuxi have begun exploring investment opportunities in Texas.¹⁵ These facilities would be able to produce OCTG and line pipe within two years.¹⁶

The Commission sent foreign producer/exporter questionnaires to 200 firms identified in the petition as producers or exporters of OCTG in China, for which contact information was publicly available.¹⁷ Fourteen firms provided complete responses to the Commission’s questionnaires. The names of the foreign firms along with shares of production and subject exports to the United States (by quantity)

⁸ Preston Publishing Company, *Preston Pipe and Tube Report*, September 2007, p. 1.

⁹ Chicago-based AISC is a technical and trade association representing most U.S. structural steel fabricators.

¹⁰ Conference transcript, p. 31 (Horan).

¹¹ Conference transcript, p. 104 (Barnes).

¹² For example, Tianjin Pipe, China’s largest seamless producer, has expanded tube production, including OCTG, from *** tons in 2003 to *** tons in 2007. *See* ***.

¹³ In sharp contrast, the United States was the world’s largest importer of OCTG in 2008, attracting almost 63 percent of total global exports. In 2008, U.S. OCTG imports increased by over 2 million tons (almost 19 percent) to 3.7 million tons.

¹⁴ “China Energy profile,” *Energy Information Administration*, U.S. Department of Energy, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CH, retrieved May 1, 2009.

¹⁵ Conference transcript, p. 83 (Balkenende).

¹⁶ Conference transcript, p. 83 (Balkenende).

¹⁷ Petition, Exhibit General-3 and internet searches.

are presented in table VII-3. The responding firms accounted for approximately *** percent of production capacity of OCTG and related tubular products in China during 2008, and nearly 54 percent of exports from China of OCTG during 2008.¹⁸ The Commission asked these foreign firms to estimate the shares of their firm’s total sales that were represented by sales of OCTG in 2008; firms’ estimates ranged from 2.76 percent to 99 percent of total sales. In response to a question on capacity changes, several Chinese producers reported plans to change production capacity or production of OCTG in China.¹⁹ Reported exports to the United States (1.4 million short tons) accounted for 63.4 percent of official Commerce imports (2.2 million short tons) in 2008.

**Table VII-3
OCTG: Reporting manufacturers/exporters in China, and quantities and shares of reported production and exports to the United States, 2008**

* * * * *

Table VII-4 presents information on Chinese producers’ OCTG operations as compiled from responses to the Commission’s questionnaires. Table VII-5 presents Chinese tubular capacity and production, by welded and seamless products. The preponderance of overall Chinese capacity and production is seamless, accounting for over *** percent of reported capacity and *** percent of reported production during the period for which data were collected. Chinese OCTG capacity rose by nearly 28 percent from 2006 to 2008 and is projected to increase by about 2 percent by 2010. Exports to the United States rose by 218 percent from 2006 to 2008, compared with an increase of 71 percent to all other markets. Home market shipments, in contrast, were relatively stable.

¹⁸ The coverage share is based on the responses to the Commission’s questionnaire as compared to *** and export data from the Global Trade Atlas database.

¹⁹ ***.

Table VII-4

OCTG: Chinese production capacity, production, shipments, and inventories, 2006-08, January-March 2008, January-March 2009, and projected 2009-10

Item	Actual experience					Projections	
	2006	2007	2008	January-March		2009	2010
				2008	2009		
Quantity (short tons)							
Capacity	5,582,848	5,797,688	7,125,914	1,575,186	1,910,317	6,656,132	7,250,766
Production	4,517,220	4,620,431	5,888,503	1,209,593	1,470,410	5,182,133	5,817,365
End of period inventories	270,996	301,188	360,106	280,109	405,592	417,130	434,953
Shipments:							
Internal consumption	115,760	226,396	157,567	41,353	38,272	135,585	135,585
Home market	3,529,104	3,243,205	3,591,150	805,873	998,036	3,663,334	4,006,036
Exports to--							
The United States	437,358	518,425	1,392,635	182,837	159,294	528,626	621,630
All other markets	526,415	739,735	898,948	218,434	248,205	797,563	1,036,293
Total exports	963,773	1,258,160	2,291,583	401,271	407,499	1,326,189	1,657,923
Total shipments	4,608,637	4,727,761	6,040,300	1,248,497	1,443,807	5,125,108	5,799,544
Inventories maintained in the United States	***	***	***	***	***		
Ratios and shares (percent)							
Capacity utilization	80.9	79.7	82.6	76.8	77.0	77.9	80.2
Inventories to production	6.0	6.5	6.1	5.8	6.9	8.0	7.5
Inventories to total shipments	5.9	6.4	6.0	5.6	7.0	8.1	7.5
Share of total shipments:							
Internal consumption	2.5	4.8	2.6	3.3	2.7	2.6	2.3
Home market	76.6	68.6	59.5	64.5	69.1	71.5	69.1
Exports to--							
The United States	9.5	11.0	23.1	14.6	11.0	10.3	10.7
All other markets	11.4	15.6	14.9	17.5	17.2	15.6	17.9
All export markets	20.9	26.6	37.9	32.1	28.2	25.9	28.6
Inventories in the U.S. to U.S. production	***	***	***	***	***		
Inventories in the U.S. to U.S. consumption	***	***	***	***	***		
Note.—Because of rounding, figures may not add to the totals shown.							
Source: Compiled from data submitted in response to Commission questionnaires.							

Table VII-5**OCTG: Chinese capacity, production, and capacity utilization of welded and seamless tubular products, 2006-08, January-March 2008, and January-March 2009**

* * * * *

U.S. INVENTORIES OF PRODUCT FROM CHINA

Data collected in these investigations on U.S. importers' end-of-period inventories of OCTG are presented in table VII-6. Sixteen U.S. importers reported holding inventories of OCTG from China in December 2008, and 19 in March 2009.

Table VII-6**OCTG: U.S. importers' end-of-period inventories of imports, 2006-08, January-March 2008, and January-March 2009**

Item	Calendar year			January-March	
	2006	2007	2008	2008	2009
China:					
Inventories (<i>short tons</i>)	109,861	149,556	443,436	157,958	510,785
Ratio of inventories to imports (<i>percent</i>)	15.9	18.3	23.5	14.8	30.5
Ratio to U.S. shipments of imports (<i>percent</i>)	17.1	19.3	28.1	14.8	37.0
Nonsubject sources:					
Inventories (<i>short tons</i>)	75,045	75,846	92,890	61,682	119,555
Ratio of inventories to imports (<i>percent</i>)	14.6	15.1	12.3	12.5	15.8
Ratio to U.S. shipments of imports (<i>percent</i>)	13.8	15.2	12.8	11.5	18.4
All sources:					
Inventories (<i>short tons</i>)	184,906	225,402	536,326	219,640	630,340
Ratio of inventories to imports (<i>percent</i>)	15.3	17.1	20.3	14.0	25.9
Ratio to U.S. shipments of imports (<i>percent</i>)	15.6	17.7	23.3	13.7	31.1

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

U.S. IMPORTERS' CURRENT ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of OCTG from China after March 31, 2009. Six firms reported having arranged for the importation of OCTG from China.²⁰ Table VII-7 presents U.S. importers' orders of OCTG from China for April 2009 through September 2009, by month. No importer of Chinese product reported orders past June of 2009 nor from any other country after August of 2009. Thirteen importers reported orders totaling 135,029 short tons of OCTG from China and eight importers reported orders totaling 41,365 short tons from all other sources.

²⁰ U.S. importers' questionnaire responses, section II-3.

Table VII-7
OCTG: U.S. importers' orders after March 31, 2009

Quantity (in short tons)						
Source	April	May	June	July	August	September
Imports from-- China	***	***	***	***	***	***
All other sources	***	***	***	***	***	***
Total	56,160	94,544	17,220	4,445	4,025	0

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

ANTIDUMPING INVESTIGATIONS IN THIRD-COUNTRY MARKETS

On March 10, 2008, the Canadian International Trade Tribunal (CITT) issued a finding that “the dumping and subsidizing of seamless carbon or alloy steel oil and gas well casing originating in or exported from the People's Republic of China have not caused injury but are threatening to cause injury to the domestic industry.” The CITT’s inquiry covered seamless carbon or alloy steel oil and gas well casing, whether plain end, beveled, threaded or threaded and coupled, heat-treated or non-heat-treated, meeting American Petroleum Institute specification 5CT, with an outside diameter not exceeding 11.75 inches (298.5 mm), in all grades, including proprietary grades.²¹

The European Union is conducting an investigation on seamless pipe (including OCTG) from China, and has imposed provisional antidumping duties with margins ranging from 35 to 51 percent on seamless pipe “used in a wide variety of applications, like for mechanical uses (including automotive and engineering), in the construction business for piling, for power generation like boiler tubes, as oil country tubular goods (OCTG) used for drilling, casing and tubing in the oil industry, and as line pipes to transport liquids or gases.”²² In addition, the European Union imposed definitive antidumping duties on welded pipe from Belarus, China, and Russia in December 2008.²³ However, the product at issue in those investigations was “welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168,3 mm, *excluding* line pipe of a kind used for oil or gas pipelines, *casing and tubing of a kind used in drilling for oil or gas*, precision tubes and tubes and pipes with attached fittings suitable for conducting gases or liquids for use in civil aircraft.”²⁴

²¹ See generally Canadian International Trade Tribunal, *Dumping and Subsidizing Finding And Reasons, Inquiry No. NQ-2007-001, Seamless Carbon or Alloy Steel Oil and Gas Well Casing*, findings issued March 10, 2008 and Reasons issued March 25, 2008. The report noted that the Canada Border Services Agency (CBSA) had previously determined that the weighted average margin of dumping was 62 percent and that the weighted average amount of subsidy was 19 percent.

²² *Official Journal of the European Union*, Commission Regulation (EC) No. 289/2009, L 94/48, April 8, 2009.

²³ Postconference brief of petitioner U.S. Steel, p. 45; postconference brief of petitioners TMK IPSCO, V&M, Wheatland, RMSM, and the USWA, p. 24; postconference brief of petitioner Maverick, p. 28 (which also noted a safeguard action in Ukraine covering seamless casing, effective October 1, 2008).

²⁴ *Official Journal of the European Union*, Commission Regulation (EC) No. 1256/2008, L 343/1, December 19, 2008. (Emphasis added).

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury “by reason of subject imports,” the legislative history states “that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) ‘to ensure that it is not attributing injury from other sources to the subject imports.’”²⁵ The following information describes the broader market for OCTG, with particular emphasis on leading nonsubject sources of U.S. imports of OCTG identified earlier.²⁶

Global Market

Most published data on steel pipes and tubes distinguish OCTG and line pipe from other forms of pipe (including standard pipe and various forms of structural and mechanical pipe, pressure pipe, and piling). That is, in terms of demand factors, most analysis focuses on energy applications or structural applications, very broadly defined. In addition, published analyses of supply factors are often grouped at an even more aggregate level, combining all forms of pipe, reflecting in part a commonality among raw materials and some overlap of production facilities and methods. Accordingly, for the purpose of this market review, information and data are provided based on their availability, and may include both subject and nonsubject pipe.

OCTG is produced in substantial quantities by pipe and tube producers throughout the world. The WSA publishes data on the global production of the larger product grouping of all pipe and tube. As shown in tables VII-8 through VII-10, global pipe and tube production increased substantially between 2004 and 2007 with China accounting for the vast majority of the growth.

²⁵ Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 17 (Fed. Cir., Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006).

²⁶ Available information regarding the industry in Russia is limited.

Table VII-8
Welded and seamless steel pipe: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity (1,000 short tons) ¹			
North America:				
United States	3,363	5,081	5,410	5,049
Canada	2,995	3,127	3,250	2,886
Mexico	1,360	1,462	1,467	1,315
Sub total	7,718	9,668	10,128	9,251
South America:				
Argentina	942	950	963	925
Others	597	595	669	0
Subtotal	1,540	1,545	1,633	925
Asia:				
China	23,693	31,863	38,504	45,481
Japan	9,540	9,318	9,460	9,576
Korea	4,720	4,487	4,549	4,856
Others	3,063	3,099	3,466	3,157
Subtotal	41,017	48,767	55,978	63,069
European Union (15):²				
Austria	581	623	702	720
Germany	3,849	4,048	4,339	4,392
Others	9,709	9,630	10,318	11,025
Subtotal	14,139	14,300	15,358	16,137
Others	3,406	3,510	3,103	3,064
Total	67,819	77,792	86,200	92,444
<p>¹ The data presented in this table are for all pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.</p> <p>² The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.</p>				
Source: World Steel Association, <i>Steel Statistical Yearbook</i> , 2008.				

Table VII-9
Seamless steel pipe: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity (1,000 short tons) ¹			
North America:				
United States	1,885	1,981	2,080	1,731
Canada	0	0	0	0
Mexico	679	746	747	664
Subtotal	2,564	2,727	2,827	2,395
South America:				
Argentina	855	862	874	839
Others	542	540	607	0
Subtotal	1,397	1,402	1,481	839
Asia:				
China	8,481	11,438	15,400	18,179
Japan	1,910	2,029	2,093	2,069
Korea	17	19	20	20
Others	(²)	(²)	(²)	(²)
Subtotal	10,408	13,486	17,513	20,268
European Union (15):³				
Austria	336	388	429	446
Germany	1,500	1,620	1,776	1,824
Others	1,875	1,908	2,076	2,163
Subtotal	3,711	3,916	4,281	4,433
Others	1,198	1,238	1,376	1,447
Total	19,277	22,769	27,478	29,381
<p>¹ The data presented in this table are for all seamless pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.</p> <p>² Not available.</p> <p>³ The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.</p> <p>Source: World Steel Association, <i>Steel Statistical Yearbook</i>, 2008.</p>				

Table VII-10
Welded steel pipe: Global production, by region, 2004-07

Region	2004	2005	2006	2007
	Quantity (1,000 short tons) ¹			
North America:				
United States	1,166	2,628	2,828	2,849
Canada	2,717	2,837	2,948	2,618
Mexico	555	580	591	529
Subtotal	4,438	6,044	6,368	5,997
South America:				
Argentina	(²)	(²)	(²)	(²)
Others	(²)	(²)	(²)	(²)
Subtotal	(²)	(²)	(²)	(²)
Asia:				
China	13,013	17,468	21,213	23,081
Japan	6,745	6,424	6,489	6,618
Korea	4,265	4,052	4,107	4,385
Others	2,779	2,811	3,106	2,864
Subtotal	26,802	30,755	34,915	36,948
European Union (15)³				
Austria	191	177	208	207
Germany	1,992	2,052	2,160	2,160
Others	6,933	6,828	7,284	7,839
Subtotal	9,116	9,057	9,652	10,206
Others	1,892	1,946	1,443	1,333
Total	42,248	47,803	52,378	54,484
<p>¹ The data presented in this table are for all welded pipe and tube, and so are substantially overstated with respect to the OCTG subject to these investigations. Data were not published for Colombia, the Commonwealth of Independent States, India, Thailand, and Turkey in 2004-07. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.</p> <p>² Not available.</p> <p>³ The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.</p>				
Source: World Steel Association, <i>Steel Statistical Yearbook</i> , 2008.				

In early 2008, even as the world's economies slowed rapidly, energy-related tubular products still remained relatively healthy because sharply rising energy prices kept exploration projects profitable, especially in the United States, the world largest market for OCTG.²⁷ Prices in the U.S. market for OCTG increased sharply to a record level in the summer of 2008 but average spot prices for both seamless and welded OCTG began falling in November, according to Pipe Logix.²⁸

As shown in table VII-11 the United States was the leading import market for OCTG during 2006-08, while China was the leading exporter. Table VII-12 contrasts the rig counts in the United States with those in the primary countries that export OCTG to the United States.

Table VII-11

OCTG: Net trade positions of major subject and nonsubject countries, 2006-08

Country	Calendar year		
	2006	2007	2008
Quantity (short tons)			
Imports into:			
China	351,326	219,303	163,659
Japan	1,833	224	36
Singapore	196,987	789,256	197,624
Argentina	6,953	6,495	6,308
Korea	4,351	8,956	7,473
United States	1,914,937	1,724,800	3,747,747
Germany	13,233	19,323	14,945
Mexico	5,674	23,658	37,486
Ukraine	21,715	22,067	28,654
France	73,419	75,925	38,108
Canada	569,457	242,356	455,008
Russia	249,841	309,381	348,050
Austria	6,788	5,212	7,253
Colombia	47,824	78,693	89,919
India	44,989	54,323	(¹)
All others	1,173,944	1,333,673	836,175
Total	4,683,270	4,913,644	5,978,442

Table continued on next page.

²⁷ The demand for tubular products that are related to the housing, construction, transportation, and automotive industries has been sharply reduced. In the energy-related tubular products market, because of the sharply increasing energy prices, activities remain healthy until November 2008 when industry observers began to observe signs of reductions in oilfield activities. Metal Bulletin Research, Seamless Steel Tube and Pipe Monthly, August 2008, p. 1; and Mario Guzzo, "OCTG Facing Spillover from Drilling Downturn," American Metal Market, November 19, 2008, found at http://www.amm/2008-11-19_16-53-49.html, retrieved November 19, 2009.

²⁸ Pipe Logix Inc is a Santa Fe, NM-based subsidiary of energy consulting firm Spears & Associates Inc, Tulsa, OK. Mario Guzzo, "OCTG Facing Spill Over from Drilling Downturn," American Metal Market, November 19, 2008, found at http://www.amm/2008-11-19_16-53-49.html, retrieved November 19, 2009.

Table VII-11--Continued

OCTG: Net trade positions of major subject and nonsubject countries, 2006-08

Country	Calendar year		
	2006	2007	2008
Exports from:			
China	1,299,439	1,927,645	4,280,628
Japan	1,074,892	788,535	855,996
Singapore	227,676	217,593	676,710
Argentina	469,848	445,621	541,368
Korea	215,908	227,277	385,514
United States	413,491	298,208	367,120
Germany	363,634	289,452	344,406
Mexico	458,987	328,469	324,944
Ukraine	299,535	293,482	274,354
France	273,998	243,337	259,455
Canada	150,598	155,269	256,461
Russia	353,382	252,102	236,673
Austria	243,443	232,193	216,313
Colombia	83,596	76,071	100,613
India	39,687	45,583	(¹)
All others	697,483	756,823	687,094
Total	6,665,598	6,577,659	9,807,649
Trade balance of:¹			
China	948,112	1,708,342	4,116,969
Japan	1,073,060	788,311	855,960
Singapore	30,689	(571,663)	479,086
Argentina	462,896	439,126	535,060
Korea	211,557	218,321	378,041
United States	(1,501,446)	(1,426,592)	(3,380,626)
Germany	350,401	270,129	329,461
Mexico	453,313	304,812	287,458
Ukraine	277,821	271,415	245,700
France	200,579	167,412	221,347
Canada	(418,859)	(87,087)	(198,547)
Russia	103,541	(57,279)	(111,377)
Austria	236,655	226,981	209,060
Colombia	35,772	(2,622)	10,694
India	(5,302)	(8,741)	(¹)
All others	(476,461)	(576,850)	(149,081)
Total	1,982,328	1,664,014	3,829,206

¹ Not available.

Note.--Positive numbers presented for "trade balance" show net exports and numbers in parentheses presented for "trade balance" show net imports. Based on top ten exporting countries to the world in 2007.

Source: Compiled from the Global Trade Atlas database, HTS subheadings 7304.29, 7305.20, 7306.20, and 7306.29.

Table VII-12**Baker Hughes International Rig Count: Operating rigs in selected countries, March 2009¹**

Country	Rig count (March 2009)
Argentina	55
Austria	0
Germany	12
Colombia	30
India	73
Korea	(²)
Mexico	126
Japan	3
Canada	196
United States	1,105

¹ Data for China are not available.

² Not available.

Source: Baker Hughes International Rig Count, March 2009, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm; retrieved May 2, 2009.

Argentina

According to the U.S. Department of Energy, Argentina is the largest natural gas producer in South America and a net oil exporter.²⁹ It also has a “vibrant” OCTG market with 55 active rotary rigs as of March 2009.³⁰ In 2008, Argentina was the world’s fourth largest exporter of OCTG, exporting over half a million tons, most of which was seamless OCTG. According to ***’s estimate, Argentina produced approximately *** tons of OCTG in 2007, a decrease of 4 percent from its 2006 estimated output (table VII-1).³¹

The primary OCTG producer in Argentina is Tenaris Siderca (“Siderca”) with an estimated capacity of about *** tons available for the production of seamless API pipe.³² Siderca is a wholly-owned subsidiary of Tenaris, a leading global tube maker. The company produces a wide range of products including OCTG and line pipe.³³ Siderca is the only known producer of seamless OCTG in

²⁹ Energy Information Administration, Argentina Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=AR, retrieved May 1, 2009.

³⁰ Staff telephone interview with Paul Vivian, Co-President, Preston Publishing Co. (Preston), May 1, 2009; and International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

³¹ Argentina thus was the world’s sixth largest producer of OCTG in 2007, according to ***.

³² ***.

³³ *Simdex Steel Tube Manufacturers Worldwide Guide*, 2009.

Argentina.³⁴ Casing and tubing are believed to account for the largest share of the company's seamless production operations.³⁵

Austria

Austria's domestic market for OCTG is limited since the country has no active rotary rigs. Voestalpine Tubulars ("Voestalpine") is the only known OCTG manufacturer in Austria. Its annual production amounts to 386,000 tons covering a wide range of seamless tubes and pipes, including line pipe and drill pipe, up to an outside diameter of 7 inches.³⁶ Voestalpine is a joint venture between the Voestalpine AG, a steel group located in Austria and the U.S.-based Grant Prideco, one of the world's largest manufacturers of drill pipe and related products.³⁷

According to an industry source, Voestalpine is a high-quality producer focusing on the high end of the market and its production lines are equipped with modern automatic facilities.³⁸ According to MBR, Austria is a net exporter of seamless tubular products, with net exports of 310,000 tons in 2007, a decrease of 16 percent from 2006.³⁹

Canada

Canada is the largest source of U.S. energy imports and one of the world's leading producers and exporters of natural gas. In 2007, Canada ranked third in the world in natural gas production and seventh in oil production and is a net exporter of natural gas and oil.⁴⁰ The rig count for Canada stood at 196 as of March 2009. The Petroleum Services Association of Canada recently forecasted that there will be 13,500 drilled wells in Canada in 2009. This is a decrease of over 20 percent from the previous year and a nearly 50-percent decline from a peak of 25,000 wells in 2005. MBR stressed that the Association has revised its forecast downward before and very likely will do so again.⁴¹

*** estimates that Canada has *** short tons of seamless API pipe capacity and *** short tons of API welded pipe capacity.⁴² This level serves as an approximated upper limit for production capacity by reporting companies. Several Canadian companies produce casing and tubing. Some of these firms are owned by non-Canadian parent companies: The Carlyle Group, a U.S. investment firm owns Atlas Tube in Canada as well as Atlas Tube (in Michigan), Sharon Pipe and Wheatland Tube; Evraz, a Russian steel firm controls Evraz-Oregon Steel Mills which owns OSM-Camrose in Alberta. Evraz-TMK purchased IPSCO production facilities both in Canada and in the United States. Tenaris (Luxembourg) purchased

³⁴ *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. IV-11.

³⁵ *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, p. IV-11.

³⁶ Voestalpine's website, found at <http://www.vatubulars.com>, retrieved May 4, 2009; and staff telephone interview with ***, May 1, 2009.

³⁷ Voestalpine's website, found at <http://www.vatubulars.com>, retrieved May 4, 2009.

³⁸ This is in line with the EU marketing strategy, which is reportedly to focus on the high end of the market. Staff telephone interview with ***, May 1, 2009.

³⁹ MBR reports that Austria produced 492,000 tons of seamless tubes in 2007, a decrease of 15 percent from its 2006 output. Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, April 2009, p. 7.

⁴⁰ Energy Information Administration, *Canada Energy Profile*, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CA, retrieved May 1, 2009.

⁴¹ Metal Bulletin Research, *Seamless Steel Tube and Pipe Monthly*, February 2009, p. 5.

⁴² ***.

Maverick in October 2006, complementing its existing Canadian holdings in Calgary and Sault Ste. Marie.

Colombia

According to the U.S. Department of Energy, Colombia is an important oil exporter in South America. During the last few years, its oil production has stabilized after a period of sharp decline. Colombia is self-sufficient in natural gas and has recently begun exporting to Venezuela.⁴³ As of March 2009, Colombia had 30 active rotary rigs.⁴⁴

In 2008, Colombia's total OCTG exports amounted to 101,000 tons, largely destined to the United States. Tubocaribe is the only known energy tubular producer in Colombia. Founded in 1991, it is wholly-owned by Tenaris with a capacity of 165,000 tons. Tubocaribe produces a wide variety of welded and seamless tubes and pipes including OCTG and line pipe. Seventy percent of its products are exported to Latin America, the United States and Canada.⁴⁵ Most of these are welded pipes.

Germany

Germany imports nearly all of its oil;⁴⁶ the Baker Hughes rig count for Germany as of March 2009 was 12. Nonetheless, Germany is the largest OCTG manufacturer in Europe, producing *** tons in 2007 as estimated by ***. This is a ***-percent decrease from the peak level in 2006 (table VII-1). The leading OCTG producer in Germany is V&M DEUTSCHLAND GmbH Oil & Gas Division located in Düsseldorf-Rath ("V&M"), which is part of the global V&M system with an annual production of 2.5 million tons of steel pipe. In addition to other products, V&M also produces seamless casing and tubing with diameters ranging from 2 3/8 inches to 26 inches. Markets for V&M include the United States, China, CIS, Eastern Europe, Norway, Austria, Greece and Libya.⁴⁷ Overall capacity to produce seamless and welded API pipe is estimated to be approximately *** short tons.⁴⁸

India

Along with its strong economic growth, India's consumption of oil and gas have increased rapidly and India has become a growing net importer of oil and natural gas. Although major new natural gas reserves have recently been discovered, India still has to rely on imports to meet its oil and natural gas needs.⁴⁹

⁴³ Energy Information Administration, Colombia Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CO, retrieved May 1, 2009.

⁴⁴ International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

⁴⁵ Tubocaribe company website, found at <http://www.tenaris.com/Colombia/es/default.aspx>, retrieved May 2, 2009.

⁴⁶ The Economist Intelligent Unit, Country Profile 2008, London, p. 16.

⁴⁷ Company's website, found at <http://www.vmtubes.com/jsp/epctrl.jsp?con=vmtubes000117&cat=vmtubes000032&mod=vmtubes000019&pri=vmtubes&lng=1>, retrieved May 4, 2009.

⁴⁸ ***.

⁴⁹ Energy Information Administration, India Energy profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=IN, retrieved May 1, 2009.

*** estimates that India produced only *** tons of OCTG in 2007, amounting to less than *** of the production of China and the United States, respectively (table VII-1). However, global steel companies that originated in India are well known, including ArcelorMittal, Jindal, and Welspun.⁵⁰

In the last few years, India has invested in several facilities to produce welded energy-related tube and pipe. Recent important projects to increase OCTG production in India include: Jindal SAW Limited (275,000-ton seamless plant in Maharashtra in 2008), Rastriya Ispat Nigam Limited (330,000-ton seamless line in Anhra Pradesh), ISMT Limited (a total expansion of over 440,000 tons at two existing seamless plants, in Ahmedabad and in Baramati), and United Seamless Tubular Pvt Ltd (300,000-ton seamless pipe mill in Andhra Pradesh). Overall capacity to produce API pipe in India is substantial but believed to be directed primarily to line pipe or other non-OCTG pipe.

Japan

Although Japan is the third largest oil consumer behind the United States and China, it has very limited oil and natural gas resources and must rely almost completely on imports to meet its needs.⁵¹ As of March 2009, Japan had only 3 active rotary rigs.⁵² As such, Japan exports almost all of its OCTG production. According to ***, Japan produced *** tons of OCTG in 2007, ranking third, behind China and the United States (table VII-1).⁵³

In a 2006 review Sumitomo was identified as the largest Japanese producer of OCTG; the second largest was Nippon Steel, followed by NKK Tubes.⁵⁴

Overall, Japanese OCTG production was estimated to exceed *** short tons in 2007, Japanese capacity to produce seamless and welded API pipe (as well as other tubular products) was estimated to approach *** short tons.⁵⁵

Korea

Korea is the world's fifth-largest net importer of oil and must import all its oil needs. It is also the second-largest importer of liquefied natural gas after Japan.⁵⁶ Korea has no domestic crude oil production and no active rotary rig. Therefore, essentially all Korean OCTG production is for export. According to a Korean trade executive, Korea's product quality is expected to rank between China at the low end and Japan at the high end.⁵⁷ Korean companies imports hot-rolled coil from China for the production of the

⁵⁰ For example, ArcelorMittal, the world's largest integrated steel company, is installing a 660,000-ton seamless pipe mill in the Middle East.

⁵¹ Energy Information Administration, Japan Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=Ja, retrieved May 1, 2009.

⁵² International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

⁵³ ***.

⁵⁴ *Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, Investigation Nos. 731-TA-711 and 713-716 (Second Review)*, USITC Publication 3923, June 2007, pp. IV-15-16.

⁵⁵ ***.

⁵⁶ Energy Information Administration, "Korea, South Energy profile," Energy Information Administration, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=KO, retrieved May 1, 2009.

⁵⁷ Staff telephone interview with ***, May 1, 2009.

commodity grade. For higher grades, Korean producers either use their own steels or import from Japan.⁵⁸

In terms of capacity, Hyundai Hysco is the largest OCTG producer in Korea, followed by SeAH Steel, and Husteel. All are producers of welded pipe and tube.

Overall, Korean OCTG production was estimated to be *** short tons in 2007, while its capacity to produce welded API pipe (and other tubular products) was approximately *** short tons.⁵⁹

Mexico

In 2008, Mexico was the world's seventh-largest oil producer and the third largest in the Western Hemisphere. Mexico is an important non-OPEC oil exporter. Petróleos Mexicanos (PEMEX), Mexico's state-owned petroleum monopoly, is one of the largest oil companies in the world in terms of revenue.⁶⁰ As of March 2009, Mexico has 126 active rotary rigs.⁶¹ As such, Mexico has a large domestic market for OCTG.

During 2006-08, Mexico's total OCTG exports declined by over 134,000 tons (more than 29 percent) to 324,944 tons. The overwhelming majority of Mexico's OCTG exports are seamless.

According to ***, Mexico produced *** tons of OCTG in 2007, a decrease of *** percent from its 2006 production level (table VII-1). The large majority of Mexico's OCTG production is seamless casing and tubing. The largest of Mexico's OCTG producers is Tenaris TAMSA ("TAMSA"), a wholly-owned subsidiary of Tenaris. TAMSA is an integrated steel producer that can provide a wide range of seamless tubular products including line pipe, casing and tubing, and drill pipe. Tenaris has reportedly planned to add to capacity in Mexico.⁶² Currently, installed seamless API pipe capacity in Mexico is estimated to be *** short tons.⁶³

⁵⁸ Staff telephone interview with ***, May 1, 2009.

⁵⁹ ***.

⁶⁰ Energy Information Administration, Mexico Energy Profile, April 10, 2009, found at http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=MX, retrieved May 1, 2009.

⁶¹ International Rotary Rig Count, Baker Hughes Incorporated, found at http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, retrieved May 2, 2009.

⁶² Metal Bulletin Research, Seamless Steel Tube and Pipe Monthly, April 2009, p. 5.

⁶³ ***.

APPENDIX A
***FEDERAL REGISTER* NOTICES**

materially retarded, by reason of imports from China of certain oil country tubular goods, provided for in subheadings 7304.29, 7305.20 and 7306.29 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of China, and sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) or 732(c)(1)(B) of the Act (19 U.S.C. 1671a(c)(1)(B) or 1673a(c)(1)(B)), the Commission must reach a preliminary determination in these investigations in 45 days, or in this case by May 26, 2009. The Commission's views are due at Commerce within five business days thereafter, or by June 2, 2009.

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

DATES: *Effective Date:* April 8, 2009.

FOR FURTHER INFORMATION CONTACT: Fred Ruggles (202-205-3187 or fred.ruggles@usitc.gov), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on April 8, 2009, by Maverick Tube Corporation, Houston, TX; United States Steel Corporation, Dallas, TX; V&M Star LP, Houston, TX; V&M Tubular Corporation of America, Houston, TX; TMK IPSCO, Camanche, IA; Evraz Rocky Mountain Steel, Pueblo, CO; Wheatland Tube Corp., Wheatland, PA; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, Pittsburgh, PA.

Participation in the Investigations and Public Service List

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

Limited Disclosure of Business Proprietary Information (BPI) under an Administrative Protective Order (APO) and BPI Service List Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on April 29, 2009, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Ruggles (202-205-3187) not later than April 27, 2009, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-463 and 731-TA-1159 (Preliminary)]

Certain Oil Country Tubular Goods From China

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase countervailing duty investigation No. 701-TA-463 (Preliminary) and antidumping duty investigation No. 731-TA-1159 (Preliminary) under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before May 4, 2009, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 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).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: April 8, 2009.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E9-8507 Filed 4-14-09; 8:45 am]

BILLING CODE 7020-02-P

Notices

Federal Register

Vol. 74, No. 85

Tuesday, May 5, 2009

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-943]

Oil Country Tubular Goods From the People's Republic of China: Initiation of Antidumping Duty Investigation

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

DATES: *Effective Date:* May 5, 2009.

FOR FURTHER INFORMATION CONTACT: Eugene Degnan or Paul Stolz, AD/CVD Operations, Office 8, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; *telephone:* (202) 482-0414 and (202) 482-4474, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 8, 2009, the Department of Commerce ("the Department") received an antidumping duty ("AD") petition concerning imports of certain oil country tubular goods ("OCTG") from the People's Republic of China ("PRC") filed in proper form by Maverick Tube Corporation, United States Steel Corporation, TMK IPSCO, V&M Star L.P., V&M Tubular Corporation of America, Wheatland Tube Corp., Evraz Rocky Mountain Steel, and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, (collectively, "Petitioners").¹ On April 17, 2009, the Department issued a request for additional information and clarification of certain areas of the Petition. Based on the Department's request, Petitioners filed supplements to the Petition on April 22, 2009 ("Supplement to the Petition"). The Department requested further clarifications from Petitioners by phone on April 23, 2009, regarding scope, industry support and U.S. price.² On

¹ See the Petition for the Imposition of Antidumping and Countervailing Duties Pursuant to Sections 701 and 731 of the Tariff Act of 1930, As Amended ("Petition"), filed on April 8, 2009.

² See Memorandum to the File from Matthew Glass, "Petition for the Imposition of Antidumping and Countervailing Duties on Certain Oil Country Tubular Goods From the People's Republic of China (A-570-943) (C-357-819): Conference Call with Petitioners."

April 24, 2009, Petitioners filed the requested information, including a revised scope.³

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

The Department finds that Petitioners filed this Petition on behalf of the domestic industry because Petitioners are interested parties as defined in section 771(9)(C) of the Act, and they have demonstrated sufficient industry support with respect to the investigation that they are requesting the Department to initiate (see “Determination of Industry Support for the Petition” below).

Scope of Investigation

The products covered by this investigation are certain OCTG from the PRC. For a full description of the scope of the investigation, please see the “Scope of the Investigation” in Appendix I of this notice.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by May 18, 2009, twenty calendar days from the signature date of this notice. Comments should be addressed to Import Administration’s APO/Dockets Unit, Room 1117, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

³ See Letter from Petitioners, “*Certain Oil Country Tubular Goods from the People’s Republic of China*”; Response to Department of Commerce Questions Regarding Volume I and II of the Petitions for Imposition of Antidumping and Countervailing Duties,” dated April 24, 2009.

Comments on Product Characteristics for Antidumping Duty Questionnaires

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

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

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaires, we must receive comments at the above-referenced address by May 18, 2009. Additionally, rebuttal comments must be received by May 25, 2009.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a Petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a Petition meets this requirement if the domestic producers or workers who support the Petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the

Petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the Petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the Petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method to poll the industry.

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

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

With regard to the domestic like product, Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that OCTG constitute a single domestic like product

⁴ See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff’d* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

and we have analyzed industry support in terms of that domestic like product.⁵

With regard to section 732(c)(4)(A), in determining whether Petitioners have standing, (*i.e.*, those domestic workers and producers supporting the Petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition), we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the "Scope of Investigation" section above. To establish industry support, Petitioners provided their production of the domestic like product for the year 2008, and compared this to an estimate of production of the domestic like product for the entire domestic industry.⁶ To estimate 2008 production of the domestic like product, the Petitioners used an industry publication which reports data in shipments. Petitioners approximated domestic production of OCTG by inflating the volume of domestic shipments reported by the ratio of the difference between Petitioners' production and shipments in the applicable calendar year.⁷

Our review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling).⁸ Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product.⁹ Finally, the

domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.¹⁰

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department initiate.¹¹

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value ("NV"). In addition, Petitioners allege that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, increased import penetration, underselling and price depressing and suppressing effects, lost sales and revenue, reduced production and capacity utilization, reduced shipments and increased inventories, reduced employment, and an overall decline in financial performance. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation.¹²

Critical Circumstances

Petitioners have alleged that critical circumstances exist with regard to imports of OCTG from the PRC, and have supported their allegations with the following information.

Section 733(e)(1) of the Act states that, if a Petitioner alleges critical circumstances, the Department will find that such circumstances exist, at any

time after the date of initiation, when there is a reasonable basis to believe or suspect that, under subparagraph (A)(i), there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales, and, under subparagraph (B), there have been massive imports of the subject merchandise over a relatively short period. Section 351.206(h) of the Department's regulations defines "massive imports" as imports that have increased by at least 15 percent over the imports during an immediately preceding period of comparable duration. Section 351.206(i) of the regulations states that "relatively short period" will normally be defined as the period beginning on the date the proceeding begins and ending at least three months later.

Petitioners allege that there is a history of dumping and material injury by reason of dumped imports as there is currently an order in place in Canada against imports of seamless OCTG from China. Petitioners cite to Canada's Semi-Annual report to the World Trade Organization's Committee on Anti-dumping Practices, which demonstrates that as of March 10, 2008, Canada imposed definitive duties on the PRC against imports of seamless carbon or alloy steel oil and gas well casings. Further, Petitioners allege that importers knew, or should have known, that OCTG was being sold at less than its fair value. Specifically, Petitioners allege margins, as adjusted by the Department, of between 36.94 and 99.14 percent, a level high enough to impute importer knowledge that merchandise was being sold at less than its fair value.

Petitioners also have alleged that imports from the PRC have been massive over a relatively short period. Alleging that there was sufficient pre-filing notice of these countervailing duty Petitions, Petitioners contend that the Department should compare imports during January through June 2008 to imports during July through December 2008 for purposes of this determination. Specifically, Petitioners supported this allegation with copies of news articles discussing the likelihood of filing unfair trade complaints against producers of OCTG. For example, Petitioners cite to an international news article in July 2008 discussing the likelihood that U.S. steel producers would file unfair trade

⁵ For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: OCTG from the PRC ("Initiation Checklist") at Attachment II ("Industry Support"), dated concurrently with this notice and on file in the Central Records Unit ("CRU"), Room 1117 of the main Department of Commerce building.

⁶ *See* Volume I of the Petition at, pages 3–4 and Exhibit I–3a.

⁷ *See* Volume I of the Petition, at page 3 and Exhibits I–3b and I–3c, and Supplement to the Petition, at pages 10–11 and Exhibit Supp. I–6. For further discussion, *see* Initiation Checklist at Attachment II.

⁸ *See* section 732(c)(4)(D) of the Act.

⁹ *See* Initiation Checklist at Attachment II.

¹⁰ *See Id.*

¹¹ *See Id.*

¹² *See* Initiation Checklist at Attachment III (Analysis of Allegations and Evidence of Material Injury and Causation for the Petition).

cases related to seamless pipe, and explaining that OCTG makes up approximately half of total exports of Chinese seamless pipe. In addition, Petitioners cite to a number of other news articles, ITC decisions on other pipe and tube products and recent cases on the same or similar product in other countries. Petitioners argue that the most definitive example of prior knowledge was contained within the July 2008 article and used this as the basis for their comparison periods. Their comparison of the six month period prior to that article (January–June 2008) with the six month period immediately following (July–December 2008) showed that the U.S. imports of OCTG from China increased 165 percent.

Although the ITC has not yet made a preliminary decision with respect to injury, Petitioners note that in the past the Department has also considered the extent of the increase in the volume of imports of the subject merchandise as one indicator of whether a reasonable basis exists to impute knowledge that material injury was likely. In this case involving the PRC, Petitioners note that the increase in imports far exceeds the amount considered “massive.”

Taking into consideration the foregoing, we find that Petitioners have alleged the elements of critical circumstances and supported them with information reasonably available for purposes of initiating a critical circumstances inquiry. For these reasons, we will investigate this matter further and will make a preliminary determination at the appropriate time, in accordance with section 735(e)(1) of the Act and Department practice.¹³

Period of Investigation

In accordance with 19 CFR 351.204(b), because this Petition was filed on April 8, 2009, the anticipated period of investigation (“POI”) is October 1, 2008, through March 31, 2009, the two most recently completed fiscal quarters, as of the month preceding the month in which the petition was filed.

Allegations of Sales at Less Than Fair Value

The following is a description of the allegations of sales at less than fair value upon which the Department has based its decision to initiate an investigation with respect to the PRC. The sources of data for the deductions and adjustments relating to U.S. price and NV are discussed in the Initiation Checklist.

¹³ See Policy Bulletin 98/4 (63 FR 55364, October 15, 1998).

Should the need arise to use any of this information as facts available under section 776 of the Act, we may reexamine the information and revise the margin calculations, if appropriate.

Export Price

Petitioners calculated export prices (“EPs”) for both welded and seamless OCTG based on an offer for sale (for four welded OCTG products) and two invoices and corresponding purchase orders, and an offer for sale (for seamless OCTG). Petitioner presented affidavits for the offers for sale attesting that the offers were made during the POI.¹⁴

To calculate the net U.S. EP, Petitioners deducted from the U.S. prices a trader markup, the costs associated with exporting and delivering the product, which included foreign inland freight, ocean freight, insurance expenses, foreign port charges (stevedoring, wharfage and handling charges), foreign brokerage and handling, and U.S. port expenses (security fee, unloading fee, and wharfage).

We have not made separate adjustments to U.S. price for foreign port charges (stevedoring, wharfage and handling charges) or the U.S. port expenses of unloading fee and wharfage because evidence on the record indicates these expenses are already included in ocean freight or insurance expenses. Petitioners calculate per-unit ocean freight and insurance using U.S. Census Bureau data, by deducting the reported customs value of OCTG landed in a certain U.S. port from the reported CIF value and dividing it by the total import quantity.¹⁵ The U.S. Census defines CIF data as the sum of import charges and customs value.¹⁶ Accordingly, when customs value is deducted from the CIF value, what is left is import charges. The U.S. Census Bureau defines import charges as “the aggregate cost of all freight, insurance, and other charges (excluding U.S. import duties) incurred in bringing the merchandise from alongside the carrier at the port of exportation in the country of exportation and placing it alongside the carrier at the first port of entry in the United States.”¹⁷ Thus it is clear that import charges, the basis for ocean freight and insurance, include the expenses associated with loading the merchandise from the wharf to the

¹⁴ See Initiation Checklist for further discussion.

¹⁵ See Volume II–A of the Petition at pages 11–12 and Exhibit II–7; Supplement to the PRC AD Petition, dated April 22, 2009, at pages 4–7.

¹⁶ See <http://www.census.gov/foreigntrade/www/sec2.htm#valcusimports>.

¹⁷ *Id.*

carrier, and those expenses associated with unloading the merchandise from the vessel to wharf, *i.e.*, stevedoring, wharfage and handling.

Normal Value

Petitioners state that in every previous less-than-fair value investigation involving merchandise from the PRC, the Department has concluded that the PRC is a non-market economy country (“NME”) and, as the Department has not revoked this determination, its NME status remains in effect today.¹⁸ The Department has previously examined the PRC’s market status and determined that NME status should continue for the PRC.¹⁹ In addition, in recent investigations, the Department has continued to determine that the PRC is an NME country.²⁰

In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC’s NME status and the granting of separate rates to individual exporters.

Petitioners argue that India is the appropriate surrogate country for the PRC because it is at a comparable level of economic development and it is a significant producer of tubular steel products.²¹ Petitioners state that the Department has determined in previous investigations and administrative reviews that India is at a level of development comparable to the PRC.²²

¹⁸ See Volume II–A of the Petition, at page 2.

¹⁹ See Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, regarding The People’s Republic of China Status as a Non-Market Economy, dated May 15, 2006. This document is available online at <http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf>.

²⁰ See *Certain Circular Welded Carbon Quality Steel Line Pipe from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 14514 (March 31, 2009); *Frontseating Service Valves from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances*, 74 FR 10886 (March 13, 2009); *1-Hydroxyethylidene-1, 1-Diphosphonic Acid From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 10545 (March 11, 2009).

²¹ See Volume II–A of the Petition, at page 4.

²² See *id.*

Petitioners also assert that in 2006 India produced 1,027,000 metric tons of tubular steel products, indicating it is a significant producer of tubular steel products.²³

Based on the information provided by Petitioners, the Department believes that the use of India as a surrogate country is appropriate for purposes of initiation. However, after initiation of the investigation, interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 CFR 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

Petitioners provided dumping margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Petitioners calculated four NVs for welded OCTG and three NVs for seamless OCTG.

Petitioners valued the factors of production using reasonably available, public surrogate country data, including India import data from the Monthly Statistics of the Foreign Trade of India from the period May 2008 through October 2008, the most current WTA data available.²⁴

Petitioners state that they valued hot-rolled steel coil and steel scrap using Indian import data from the Monthly Statistics of the Foreign Trade of India, under Indian HTS numbers 7208.36, 7208.37, and 7208.38 for hot-rolled steel coil and Indian HTS number 7204.49.00 for steel scrap.²⁵

Petitioners valued electricity using Indian electricity rates disseminated by the Central Electricity Authority in India.²⁶

Petitioners valued labor using the wage rate data published on the Department's Web site, at <http://ia.ita.doc.gov/wages/04wages/04wages-010907.html>.²⁷

Petitioners included a value for "production equipment tires" in its NV calculation for seamless OCTG. Consistent with Department practice we did not include a value for "production equipment tires" in the calculation of

NV. The Department has, in previous proceedings, found that materials consumed for the purpose of manufacturing subject merchandise, are properly considered factors of production. However, in the instant investigation, there is no evidence on the record indicating what "production equipment tires" are, or how they are consumed in the production of OCTG. Therefore, for purposes of initiation, we are not including production equipment tires in the calculation of normal value.²⁸

Where Petitioners were unable to find input prices contemporaneous with the POI, Petitioners adjusted for inflation using the wholesale price index for India, as published in "International Financial Statistics" by the International Monetary Fund.²⁹ Petitioners used exchange rates, as provided on the Department's Web site, to convert Indian Rupees to U.S. Dollars.³⁰

Petitioners based factory overhead, selling, general and administrative expenses ("SG&A"), and profit, on the financial ratios of Maharashtra Seamless Ltd. ("MSL"), Ratnamani Metals & Tubes Ltd. ("Ratnamani"), Steel Authority of India, Ltd. ("SAIL"), Tata Steel Limited ("Tata"), and Welspun Gujarat Stahl Rohen Ltd. ("Welspun"), Indian producers of pipe and tube, with adjustments as requested by the Department.³¹ However, MSL's financial statements demonstrated that the company received subsidies that the Department had previously determined to be countervailable,³² and Petitioners removed MSL from the pool of companies used as the source of surrogate financial ratio calculations.³³ Thus, Petitioners based their

²⁸ See, e.g., *Certain Steel Nails from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 33977 (June 16, 2008); *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China*, 71 FR 29303 (May 22, 2006).

²⁹ See Volume II-A of the Petition, at pages 18-19, and Exhibit 8.

³⁰ See Supplement to the PRC AD Petition, dated April 22, 2009, at page 15 and Exhibits II-33 and II-34.

³¹ See Volume II-A of the Petition, at pages 22-23 and Exhibit 23, and Volume II-B of the Petition, at pages 3, 13-15 and Exhibits 32-LL, -MM, -NN, -OO, -PP and -QQ(1) and -QQ(2); see also Supplement to the PRC AD Petition, dated April 22, 2009, at pages 16-19 and Exhibits Supp. II-50 and Supp. II-51.

³² See letter to Petitioners, "Re: Petitions for the Imposition of Antidumping and Countervailing Duties on Oil Country Tubular Goods Imported from the People's Republic of China," dated April 17, 2009.

³³ See Supplement to the PRC AD Petition, dated April 22, 2009, at page 16.

calculations on the annual reports as of March 31, 2008, of Ratnamani, SAIL, Tata and Welspun. Although these financial statements do not overlap the POI, they represent the most current information reasonably available to Petitioners at the time they filed the Petition.

Petitioners calculated separate financial ratios for seamless and welded OCTG. Petitioners based the ratios for seamless OCTG on the simple average of SAIL's and Tata's overhead, SG&A, and profit ratios, asserting that SAIL and Tata are large integrated steel producers like Baosteel Group Shanghai Steel Tube ("Baosteel") and Baotou Iron & Steel ("Baotou"), and produce comparable merchandise.³⁴ Petitioners based ratios for welded OCTG on the simple average of Ratnamani's and Welspun's overhead, SG&A, and profit ratios, asserting that Ratnamani and Welspun produce a range of pipe products which match the production experience of Huludao City Steel Pipe Industrial Co. ("Huludao").³⁵

We made no changes to Petitioners' calculations for Tata. We made changes to Petitioners' calculations for Ratnamani, Welspun and SAIL as follows.³⁶

Ratnamani

- We excluded the value of opening and closing stock of finished goods from our calculations.

Welspun

- We excluded the increase (or decrease) on excise on finished goods from our calculations.
- We reclassified coating and other job charges from materials to manufacturing overhead.
- We reclassified repairs—other from SG&A to manufacturing overhead.
- We excluded interest received gross from our calculations.
- We applied the value of depreciation as recorded on the income statement in our calculations (the value used by Petitioners did not reflect the value in the income statement).

SAIL

- We reclassified grants in aid received from the government of Kamataka and travel concession from

³⁴ See Volume II-B of the Petition, at page 3, Exhibits 32-LL, -MM, -NN, -OO, -PP and -QQ(1) and -QQ(2); see also Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit Supp. II-50.

³⁵ See Volume II-A of the Petition, at page 22, Exhibit 23; see also Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit Supp. II-51.

³⁶ See Attachment V to the Initiation Checklist for all calculations.

²³ See *id.*

²⁴ See Supplement to the PRC AD Petition, dated April 22, 2009, at page 1.

²⁵ See Volume II-A of the Petition, at page 20-21, and Exhibit 20. See also Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit II-7.

²⁶ See Volume II-A of the Petition, at page 21, and Exhibit 21. See also Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit II-41.

²⁷ See Volume II-A of the Petition, at page 21, and Exhibit II-22.

SG&A to labor, to correspond with their treatment in the financial statements.

- We reclassified handling expenses for raw materials and scrap from SG&A to raw materials.
- We reclassified conversion charges, water charges & cess on water pollution and provisions: stores, spares and sundries from SG&A to manufacturing overhead.
- We excluded handling expenses for finished goods from our calculations.
- We reclassified power and fuel expense from raw materials to energy.
- We excluded adjustments pertaining to earlier years and fringe benefits tax from our calculations.

Fair-Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of OCTG from the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of EP to NV as revised above, the estimated dumping margins for the PRC range from 36.94 percent to 99.14 percent.

Initiation of Antidumping Investigation

Based upon the examination of the Petition concerning OCTG from the PRC and other information reasonably available to the Department, the Department finds that this Petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of OCTG from the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Targeted-Dumping Allegations

On December 10, 2008, the Department issued an interim final rule for the purpose of withdrawing 19 CFR 351.414(f) and (g), the regulatory provisions governing the targeted-dumping analysis in antidumping duty investigations, and the corresponding regulation governing the deadline for targeted-dumping allegations, 19 CFR 351.301(d)(5).³⁷ The Department stated that “{w}ithdrawal will allow the Department to exercise the discretion intended by the statute and, thereby, develop a practice that will allow interested parties to pursue all statutory avenues of relief in this area.”³⁸

³⁷ See *Withdrawal of the Regulatory Provisions Governing Targeted Dumping in Antidumping Duty Investigations*, 73 FR 74930 (December 10, 2008).

³⁸ *Id.* at 74931.

In order to accomplish this objective, if any interested party wishes to make a targeted-dumping allegation in any of these investigations pursuant to section 777A(d)(1)(B) of the Act, such allegations are due no later than 45 days before the scheduled date of the preliminary determination.

Respondent Selection

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

The Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rate application by the respective deadlines in order to receive consideration for separate-rate status.³⁹ Appendix II of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters/producers no later than May 19, 2009. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the Import Administration Web site, at <http://ia.ita.doc.gov/ia-highlights-and-news.html>. The Department will send the quantity and value questionnaire to those PRC companies identified in the Petition, Volume I, at Exhibit I-6.

Separate Rates

In order to obtain separate-rate status in an NME investigation, exporters and producers must submit a separate-rate status application.⁴⁰ The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, available on the Department's Web site at <http://ia.ita.doc.gov/ia-highlights-and-news.html> on the date of publication of this initiation notice in the **Federal Register**. The separate-rate application will be due sixty (60) days from the date

³⁹ See *Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 73 FR 10221, 10225 (February 26, 2008); and *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005).

⁴⁰ See *Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188, 23193 (April 29, 2008) (“*Certain Circular Welded Carbon Quality Steel Line Pipe from the PRC*”).

of publication of this initiation notice in the **Federal Register**.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The Separate Rates/Combination Rates Bulletin⁴¹ states: {w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of combination rates because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.⁴²

Distribution of Copies of the Petition

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

International Trade Commission (“ITC”) Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

⁴¹ See Import Administration Policy Bulletin, Number: 05.1, “Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations Involving Non-Market Economy Countries,” dated April 5, 2005, available on the Department's Web site at <http://ia.ita.doc.gov/policy/bull05-1.pdf>.

⁴² See also *Certain Circular Welded Carbon Quality Steel Line Pipe from the PRC*, 73 FR 23188, 23193.

Preliminary Determination by the International Trade Commission

The ITC will preliminarily determine, no later than May 26, 2009,⁴³ whether there is a reasonable indication that imports of OCTG from the PRC materially injure, or threaten material injury to, a U.S. industry. A negative ITC determination covering all classes or kinds of merchandise covered by the Petition would result in the investigation being terminated. Otherwise, this investigation will proceed according to statutory and regulatory time limits.

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

Dated: April 28, 2009.

Ronald K. Lorentzen,
Acting Assistant Secretary for Import Administration.

Appendix I

Scope of the Investigation

The merchandise covered by the investigation consists of certain oil country tubular goods ("OCTG"), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and

coupled) whether or not conforming to American Petroleum Institute ("API") or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise covered by the investigation is currently classified in the Harmonized Tariff Schedule of the United States ("HTSUS") under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The OCTG coupling stock covered by the investigation may also enter under the

following HTSUS item numbers:

7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80.

The HTSUS subheadings are provided for convenience and customs purposes only; the written description of the scope of the investigation is dispositive.

Appendix II

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

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

Market	Total quantity in metric tons	Terms of sale	Total value
United States			
1. Export Price Sales			
2. a. Exporter Name			
b. Address			
c. Contact			
d. Phone No			
e. Fax No.			
3. Constructed Export Price Sales			
4. Further Manufactured			
Total Sales			

Total Quantity

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

Terms of Sales

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

Total Value

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

Export Price Sales

- Generally, a U.S. sale is classified as an export price sale when the first sale to an

unaffiliated customer occurs before importation into the United States.

- Please include any sales exported by your company directly to the United States.

- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

- Please do not include any sales of subject merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales

- Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated customer occurs after importation. However, if the first sale to the unaffiliated customer is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.

- Please include any sales exported by your company directly to the United States;

- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

- If you are a producer of subject merchandise, please include any sales

⁴³ Where the deadline falls on a weekend/holiday, the appropriate date is the next business day

manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

- Please do not include any sales of subject merchandise manufactured in Hong Kong in your figures.

Further Manufactured

- Sales of further manufactured or assembled (including re-packaged) merchandise is merchandise that undergoes further manufacture or assembly in the United States before being sold to the first unaffiliated customer.

- Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.

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In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended (“the Act”), the petitioners allege that manufacturers, producers, or exporters of OCTG in the People’s Republic of China (“PRC”) receive countervailable subsidies within the meaning of section 701 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

The Department finds that the petitioners filed the petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) and (D) of the Act, and the petitioners have demonstrated sufficient industry support with respect to the countervailing duty (“CVD”) investigation (*see* “Determination of Industry Support for the Petition” section below).

Period of Investigation

The period of investigation is January 1, 2008, through December 31, 2008.

Scope of Investigation

The products covered by this investigation are certain OCTG from the PRC. For a full description of the scope of the investigation, please see the “Scope of the Investigation” in Appendix I of this notice.

Comments on Scope of Investigation

During our review of the petition, we discussed the scope with the petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department’s regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by May 18, 2009, twenty calendar days from the signature date of this notice. Comments should be addressed to Import Administration’s APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the Government of the PRC for consultations with respect to

the CVD petition. The Department held these consultations in Washington, DC, on April 21, 2009. *See* the Memorandum from Yasmin Nair and Joseph Shuler to the File, entitled, “Consultations with Officials from the Government of the People’s Republic of China on the Countervailing Duty Petition regarding Certain Oil Country Tubular Goods,” (April 23, 2009), which is on file in the Central Records Unit (“CRU”) of the main Department of Commerce building, Room 1117.

Determination of Industry Support for the Petition

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

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

DEPARTMENT OF COMMERCE

International Trade Administration

[C–570–944]

Certain Oil Country Tubular Goods from the People’s Republic of China: Initiation of Countervailing Duty Investigation

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

EFFECTIVE DATE: May 5, 2009.

FOR FURTHER INFORMATION CONTACT: Yasmin Nair and Joseph Shuler, AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–3813 and (202) 482–1293, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 8, 2009, the Department of Commerce (“Department”) received a petition filed in proper form by Maverick Tube Corporation; United States Steel Corporation; TMK IPSCO; V&M Star L.P.; Wheatland Tube Corporation; Evraz Rocky Mountain Steel; and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (collectively, “petitioners”), domestic producers of certain oil country tubular goods (“OCTG”). In response to the Department’s requests, the petitioners provided timely information supplementing the petition on April 20, 22, and 24, 2009.

USEC, Inc. v. United States, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

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

With regard to the domestic like product, the petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that OCTG constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* Countervailing Duty Investigation Initiation Checklist: Certain Oil Country Tubular Goods from the People’s Republic of China (“Initiation Checklist”) at Attachment II (Analysis of Industry Support), on file in the CRU, Room 1117 of the main Department of Commerce building.

With regard to section 702(c)(4)(A), in determining whether the petitioners have standing, (*i.e.*, those domestic workers and producers supporting the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition), we considered the industry support data contained in the petition with reference to the domestic like product as defined in the “Scope of the Investigation” at Appendix I. To establish industry support, the petitioners provided their production of the domestic like product for the year 2008, and compared this to an estimate of production of the domestic like product for the entire domestic industry. *See* Volume I of the petition, at pages 3–4 and Exhibit I–3a. To estimate 2008 production of the domestic like product Petitioners used an industry publication which reports data in shipments. The petitioners approximated domestic production of OCTG by inflating the volume of domestic shipments reported by the

ratio of the difference between the petitioners’ production and shipments in the applicable calendar year. *See* Volume I of the petition, at page 3 and Exhibits I–3b and I–3c, and Supplement to the petition, dated April 22, 2009, at pages 10–11 and Exhibit Supp. I–6. For further discussion, *see* Initiation Checklist at Attachment II.

The Department’s review of the data provided in the petition, supplemental submissions, and other information readily available to the Department, indicates that the petitioners have established industry support. First, the petition establishes support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* section 702(c)(4)(D) of the Act and Initiation Checklist at Attachment II. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the petition account for at least 25 percent of the total production of the domestic like product. *See* Initiation Checklist at Attachment II. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. *See* Initiation Checklist, at Attachment II.

The Department finds that the petitioners filed the petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and have demonstrated sufficient industry support with respect to the CVD investigation that they are requesting the Department initiate. *See* Initiation Checklist, at Attachment II.

Injury Test

Because the PRC is a “Subsidies Agreement Country” within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from the PRC

materially injure, or threaten material injury to, a U.S. industry.

Allegations and Evidence of Material Injury and Causation

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

The petitioners contend that the industry’s injured condition is illustrated by reduced market share, increased import penetration, underselling and price depressing and suppressing effects, lost sales and revenue, reduced production and capacity utilization, reduced shipments and increased inventories, reduced employment, and an overall decline in financial performance. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* Initiation Checklist at Attachment III (Analysis of Allegations and Evidence of Material Injury and Causation for the Petition).

Initiation of Countervailing Duty Investigation

Section 702(b) of the Act requires the Department to initiate a CVD proceeding whenever an interested party files a petition on behalf of an industry that: (1) alleges the elements necessary for an imposition of a duty under section 701(a) of the Act; and (2) is accompanied by information reasonably available to the petitioner(s) supporting the allegations.

The Department has examined the CVD petition on OCTG from the PRC and finds that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating a CVD investigation to determine whether manufacturers, producers, or exporters of OCTG in the PRC receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, *see* Initiation Checklist.

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

- A. Preferential Loans
 - 1. Policy Loans
 - 2. Export Loans
 - 3. Treasury Bond Loans to Northeast
 - 4. Preferential Loans for State-Owned Enterprises
 - 5. Preferential Loans for Key Projects and Technologies
 - 6. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- G. Equity Programs
 - 1. Debt-to-equity Swap for Pangang
 - 2. Equity Infusions
 - 3. Exemptions for SOEs From Distributing Dividends to the State
 - 4. Loan and Interest Forgiveness for SOEs
- E. Tax Benefit Programs
 - 1. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment
 - 2. Preferential Income Tax Policy for Enterprises in the Northeast Region
 - 3. Forgiveness of Tax Arrears for Enterprises in the Old Industrial Bases of Northeast China
- D. Tariff and Indirect Tax Programs
 - 1. Stamp Exemption on Share Transfers Under Non-Tradable Share Reform
 - 2. Value Added Tax ("VAT") and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program
 - 3. Export Incentive Payments Characterized as "VAT rebates"
- D. Land Grants and Discounts
 - 1. Provision of Land Use Rights for Less Than Adequate Remuneration to Huludao
 - 2. Provision of Land to SOEs for Less Than Adequate Remuneration
- C. Provision of Inputs for Less Than Adequate Remuneration
 - 1. Provision of Hot-Rolled Steel for Less Than Adequate Remuneration
 - 2. Provision of Steel Rounds for Less Than Adequate Remuneration
 - 3. Provision of Electricity for Less Than Adequate Remuneration
 - 4. Provision of Low-cost Coke through the Imposition of Export Restraints
 - 5. Provision of Coking Coal for Less than Adequate Remuneration
- F. Grant Programs
 - 1. The State Key Technology Project Fund
 - 2. Foreign Trade Development Fund (Northeast Revitalization Program)
 - 3. Export Assistance Grants
 - 4. Program to Rebate Antidumping Duties
 - 5. Subsidies for Development of Famous Export Brands and China World Top Brands
 - 6. Sub-central Government Programs to Promote Famous Export Brands

- and China World Top Brands
 - 7. Grants to Loss-Making SOEs
 - 8. Export Interest Subsidies
 - I. Other Regional Programs
 - 1. Subsidies Provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area
 - 2. Five Points, One Line Program
 - 3. High-Tech Industrial Development Zones
 - D. Subsidies for Foreign Invested Enterprises ("FIEs")
 - 1. "Two Free, Three Half" Program
 - 2. Local Income Tax Exemption and Reduction Programs for "Productive" Foreign-Invested Enterprises
 - 3. Preferential Tax Programs for Foreign-Invested Enterprises Recognized as High or New Technology Enterprises
 - 4. Reduced Income Tax Rates for Export-Oriented FIEs
- For further information explaining why the Department is investigating these programs, see Initiation Checklist. We are not including in our investigation the following programs alleged to benefit producers and exporters of the subject merchandise in the PRC:

A. Equity Programs

1. Tradable Shares Reform Program

The petitioners allege that, in April 2005, the China Securities Regulatory Commission announced a plan that allowed certain companies to transform their non-tradable shares into tradable shares. The petitioners allege that Baoshan Iron & Steel Co., Ltd.'s ("Baosteel") share values would have been vulnerable to decline during the transition from non-tradable to tradable stock. Citing to notes in the Baoshan Iron & Steel Co., Ltd. Third Quarter Report, the petitioners allege that Baosteel's parent company, state-owned Baosteel Group, made share purchases to prevent Baosteel's share prices from falling below a certain market price and that these purchases provided a countervailable subsidy to Baosteel. Because we found the program not countervailable in *OTR Tires from the PRC*,¹ we do not plan to investigate this program.

- B. Tax Benefit Programs
1. Tax Reduction for Companies Engaging in Research and Development
- The petitioners allege that according to China's World Trade Organization

¹ See *New Pneumatic Off-the-Road Tires From the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Negative Determination of Critical Circumstances*, 73 FR 40480 (July 15, 2008) and accompanying Issues and Decision Memorandum at pages 21 and 159-160 ("*OTR Tires from the PRC*").

subsidies notification, domestic industrial enterprises whose research and development expenses increased by 10 percent from the previous year may offset 150 percent of the research expenditures from their income tax obligations. The petitioners have not sufficiently established that this tax reduction program is specific. Consequently, we do not plan to investigate this program.

C. Provision of Inputs for Less than Adequate Remuneration

1. Provision of Natural Gas for Less Than Adequate Remuneration

The petitioners allege that, in 2007, the Chinese Vice Premier indicated that the central government would increase electricity rates charged to steel enterprises that have outdated production capacities. The petitioners further assert that this increase likely resulted in OCTG producers receiving lower, preferential rates, because OCTG producers have the largest and most advanced production capabilities. The petitioners propose that OCTG producers, being among the largest and most advanced producers of high-technology steel, would have perhaps received similar benefits from the preferential provision of natural gas. The petitioners have failed to show how the provision of natural gas for less than adequate remuneration program is specific. Consequently, we do not plan to investigate this program.

2. Provision of Scrap for Less Than Adequate Remuneration

The petitioners allege that the PRC imposes export restrictions, such as export quotas, related export licensing and bidding requirements, minimum export prices and duties, on the raw materials used for producing OCTG. The petitioners contend that these restrictions have resulted in artificially suppressing raw material prices of scrap in the PRC. The petitioners have not provided sufficient pricing data for scrap. In addition, the source documents referenced by the petitioners do not provide any information that the export restraints on scrap have resulted in lower Chinese domestic scrap prices. Consequently, we do not plan to investigate this program.

Critical Circumstances

The petitioners have alleged that critical circumstances exist with regard to imports of OCTG from the PRC, and have supported their allegation with the following information.

Section 703(e)(1) of the Act states that if a petitioner alleges critical circumstances, the Department will find that such critical circumstances exist, at any time after the date of initiation,

when there is a reasonable basis to believe or suspect that under paragraph (A), the alleged countervailable subsidies are inconsistent with the Subsidies Agreement, and that, under paragraph (B), there have been massive imports of the subject merchandise over a relatively short period of time. Section 351.206(h) of the Department's regulations defines "massive imports" as imports that have increased by at least 15 percent over the imports during an immediately preceding period of comparable duration. Section 351.206(i) of the Department's regulations states that a "relatively short period" will normally be defined as the period beginning on the date the proceeding begins and ending at least three months later.

As discussed above, the petitioners have provided documentation supporting allegations of countervailable subsidies which are inconsistent with the Subsidies Agreement.

The petitioners also have alleged that imports from the PRC have been massive over a relatively short period. Arguing that there was sufficient pre-filing notice of this CVD petition, the petitioners contend that the Department should compare imports of OCTG from the PRC from January through June 2008 to imports during July through December 2008 for purposes of this determination. The petitioners supported this allegation with copies of news articles discussing the likelihood of filing unfair trade complaints against producers of OCTG. In particular, the petitioners cite to an international news article from July 2008 discussing the likelihood that U.S. steel producers would file unfair trade cases related to seamless pipe, and explaining that OCTG makes up approximately half of total exports of Chinese seamless pipe. Their comparison of the six month period prior to that article (January–June 2008) with the six month period immediately following (July–December 2008) shows that U.S. imports of OCTG from the PRC increased 165 percent. In addition, the petitioners cite to a number of other news articles, ITC decisions on other pipe and tube products, and recent cases on the same or similar products in other countries.

Although the ITC has not yet made a preliminary decision with respect to injury, the petitioners note that in the past the Department has also considered the extent of the increase in the volume of imports of the subject merchandise as one indicator of whether a reasonable basis exists to impute knowledge that material injury was likely. In this case involving the PRC, the petitioners note

that the increase in imports far exceeds the amount considered "massive."

We find that the petitioners have alleged the elements of critical circumstances and supported them with information reasonably available for purposes of initiating a critical circumstances inquiry. We will investigate this matter further and will make a preliminary determination at the appropriate time, in accordance with section 735(e)(1) of the Act and Department practice (see Policy Bulletin 98/4 (63 FR 55364, October 15, 1998)). The petitioners have also requested an expedited review, which the Department will consider.

Respondent Selection

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

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public version of the petition has been provided to the Government of the PRC. As soon as and to the extent practicable, we will attempt to provide a copy of the public version of the petition to each exporter named in the petition, consistent with section 351.203(c)(2) of the Department's regulations.

ITC Notification

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

Preliminary Determination by the ITC

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

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

Dated: April 28, 2009.

Ronald K. Lorentzen,

Acting Assistant Secretary for Import Administration.

Appendix I

Scope of the Investigation

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

The merchandise covered by the investigation is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers:

7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The OCTG coupling stock covered by the investigation may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36,

7304.39.00.40, 7304.39.00.44,
7304.39.00.48, 7304.39.00.52,
7304.39.00.56, 7304.39.00.62,
7304.39.00.68, 7304.39.00.72,
7304.39.00.76, 7304.39.00.80,
7304.59.60.00, 7304.59.80.15,
7304.59.80.20, 7304.59.80.25,
7304.59.80.30, 7304.59.80.35,
7304.59.80.40, 7304.59.80.45,
7304.59.80.50, 7304.59.80.55,
7304.59.80.60, 7304.59.80.65,
7304.59.80.70, and 7304.59.80.80.

The HTSUS subheadings are provided for convenience and customs purposes only, the written description of the scope of the investigation is dispositive.

[FR Doc. E9-10345 Filed 5-4-09; 8:45 am]

BILLING CODE 3510-DS-S

APPENDIX B
CONFERENCE WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

CERTAIN OIL COUNTRY TUBULAR GOODS FROM CHINA

Investigation Nos. 701-TA-463 and 731-TA-1159 (Preliminary)

April 29, 2009 - 9:30 am

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF COUNTERVAILING/ANTIDUMPING DUTIES:

Schagrin Associates
Washington, DC
on behalf of

Scott Barnes, Vice President and Chief Commercial Officer, TMK IPSCO

Ralph Boswell, Vice President for North American Sales, Atlas Tube

Skip Herald, President, V&M USA Corp.

Roger Lindgren, President, V&M Star and V&M TCA

Michael Jardon, Vice President of Marketing, V&M Star

Robert Okrzesik, Director of Seamless Sales, Evraz Rocky Mountain Steel

Ronald Dewan, Chairman and CEO, Premier Pipe LLC

Holly Hart, Legislative Director, The United Steel Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC

Roger B. Schagrin)--OF COUNSEL

IN SUPPORT OF THE IMPOSITION OF COUNTERVAILING/ANTIDUMPING DUTIES:

Skadden, Arps, Slate, Meagher and Flom, LLP
Washington, DC
on behalf of

United States Steel Tubular Products, Inc
Sooner Pipe, LLC

George H. Thompson, General Manager - Commercial, Tubular Products

J. Craig Horan, Manager - OCTG Commercial

Scott M. Dorn, General Manager - Tubular Marketing

William M. Buono, Manager - Market Analysis and Strategy Tubular Products

John B. Shoaff, President, Sooner Pipe, LLC

Seth T. Kaplan, Principal, The Brattle Group

Robert E. Lighthizer)
James C. Hecht) --OF COUNSEL
Stephen P. Vaughn)

Wiley Rein LLP
Washington, DC
on behalf of

Maverick Tube Corporation

Roland Balkenende, President, Tenaris Global Services (USA)
(Maverick's Sales Division in the United States)

Kelly Hanlon, OCTG Sales Director, USA Distribution for Maverick
Tube Corporation

Dr. Jerry Hausman, Massachusetts Institute of Technology

Alan H. Price)
Robert E. DeFrancesco, III) --OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING/ANTIDUMPING DUTIES:

Winston & Strawn LLP
Washington, DC
on behalf of

Tianjin Pipe (Group) Corporation; Baosteel Group Corporation; Zhejiang Jianli Group; Jiangsu Chengde Steel Tube Share Co., Ltd.; Wuxi Seamless Oil Pipe Co., Ltd.; Baotou Iron & Steel (Group) Co., Ltd.; Anhui Tianda Oil Pipe Co., Ltd.; Pangang Group Chengdu Iron & Steel Co., Ltd.; Shengli Oilfield Highland Petroleum Equipment Co., Ltd.; Jiangsu Changbao Steel Tube Co., Ltd.; Hengyang Valin Steel Tube Co., Ltd.; Angang Steel Company Limited

Mike Jordan, CEO, Mike Jordan Co., Inc.
Coy Reece, President, CKR Enterprises and
President and Managing Partner, Texas Couplings
Thomas J. Prusa, Professor of Economics, Rutgers

James P. Durling)
Daniel L. Porter) --OF COUNSEL
Matthew P. McCullough)

APPENDIX C
SUMMARY DATA

Table C-1

OCTG: Summary data concerning the U.S. market, 2006-08, January-March 2008, and January-March 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data					Period changes			Jan.-Mar. 2008-09
	2006	2007	2008	January-March 2008	January-March 2009	2006-08	2006-07	2007-08	
U.S. consumption quantity:									
Amount	4,697,751	4,093,971	6,691,822	1,239,909	1,277,318	42.4	-12.9	63.5	3.0
Producers' share (1)	58.9	57.9	44.2	56.7	24.4	-14.7	-1.1	-13.6	-32.2
Importers' share (1):									
China	15.4	21.0	32.8	22.6	45.2	17.4	5.6	11.8	22.6
Other sources	25.6	21.1	22.9	20.7	30.4	-2.7	-4.5	1.8	9.7
Total imports	41.1	42.1	55.8	43.3	75.6	14.7	1.1	13.6	32.2
U.S. consumption value:									
Amount	6,385,993	5,185,137	11,500,956	1,449,911	2,428,291	80.1	-18.8	121.8	67.5
Producers' share (1)	64.3	63.3	53.2	62.2	31.5	-11.1	-1.0	-10.1	-30.8
Importers' share (1):									
China	10.7	15.7	24.4	17.4	36.4	13.7	5.0	8.7	19.0
Other sources	25.0	21.0	22.4	20.4	32.1	-2.7	-4.0	1.4	11.8
Total imports	35.7	36.7	46.8	37.8	68.5	11.1	1.0	10.1	30.8
U.S. imports from:									
China:									
Quantity	725,027	860,711	2,197,556	280,660	577,282	203.1	18.7	155.3	105.7
Value	681,292	811,542	2,805,206	252,241	884,517	311.7	19.1	245.7	250.7
Unit value	\$940	\$943	\$1,277	\$899	\$1,532	35.8	0.3	35.4	70.5
Ending inventory quantity	109,861	149,556	443,436	157,958	510,785	303.6	36.1	196.5	223.4
All other sources:									
Quantity	1,204,575	864,612	1,534,713	256,706	387,990	27.4	-28.2	77.5	51.1
Value	1,598,489	1,089,955	2,572,888	295,135	779,942	61.0	-31.8	136.1	164.3
Unit value	\$1,327	\$1,261	\$1,676	\$1,150	\$2,010	26.3	-5.0	33.0	74.8
Ending inventory quantity	75,045	75,846	92,890	61,682	119,555	23.8	1.1	22.5	93.8
All sources:									
Quantity	1,929,601	1,725,323	3,732,269	537,367	965,272	93.4	-10.6	116.3	79.6
Value	2,279,781	1,901,497	5,378,094	547,377	1,664,459	135.9	-16.6	182.8	204.1
Unit value	\$1,181	\$1,102	\$1,441	\$1,019	\$1,724	22.0	-6.7	30.7	69.3
Ending inventory quantity	184,906	225,402	536,326	219,640	630,340	190.1	21.9	137.9	187.0
U.S. producers':									
Average capacity quantity	4,042,830	3,885,435	4,104,087	993,922	1,068,868	1.5	-3.9	5.6	7.5
Production quantity	2,901,917	2,514,935	3,068,643	717,756	330,514	5.7	-13.3	22.0	-54.0
Capacity utilization (1)	71.8	64.7	74.8	72.2	30.9	3.0	-7.1	10.0	-41.3
U.S. shipments:									
Quantity	2,768,150	2,368,648	2,959,553	702,542	312,046	6.9	-14.4	24.9	-55.6
Value	4,106,212	3,283,640	6,122,862	902,534	763,832	49.1	-20.0	86.5	-15.4
Unit value	\$1,483	\$1,386	\$2,069	\$1,285	\$2,448	39.5	-6.5	49.2	90.5
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	378,045	460,094	436,970	452,608	437,154	15.6	21.7	-5.0	-3.4
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	5,263	5,240	5,585	5,214	3,836	6.1	-0.4	6.6	-26.4
Hours worked (1,000)	11,409	10,840	12,233	2,853	1,779	7.2	-5.0	12.9	-37.6
Wages paid (\$1,000)	292,757	276,748	331,024	83,291	57,915	13.1	-5.5	19.6	-30.5
Hourly wages	\$25.66	\$25.53	\$27.06	\$29.19	\$32.55	5.5	-0.5	6.0	11.5
Productivity (tons/1,000 hours)	254.4	232.0	250.8	251.6	185.8	-1.4	-8.8	8.1	-26.2
Unit labor costs	\$100.88	\$110.04	\$107.87	\$116.04	\$175.23	6.9	9.1	-2.0	51.0
Net sales:									
Quantity	2,894,857	2,450,634	3,096,902	724,241	329,874	7.0	-15.3	26.4	-54.5
Value	4,303,846	3,424,526	6,404,881	938,603	810,282	48.8	-20.4	87.0	-13.7
Unit value	\$1,487	\$1,397	\$2,068	\$1,296	\$2,456	39.1	-6.0	48.0	89.5
Cost of goods sold (COGS)	2,928,213	2,588,159	3,983,851	744,138	522,312	36.1	-11.6	53.9	-29.8
Gross profit or (loss)	1,375,633	836,367	2,421,030	194,465	287,970	76.0	-39.2	189.5	48.1
SG&A expenses	191,439	251,519	354,443	67,662	85,058	85.1	31.4	40.9	25.7
Operating income or (loss)	1,184,194	584,848	2,066,587	126,803	202,912	74.5	-50.6	253.4	60.0
Capital expenditures	129,310	153,953	159,971	34,350	19,886	23.7	19.1	3.9	-42.1
Unit COGS	\$1,012	\$1,056	\$1,286	\$1,027	\$1,583	27.2	4.4	21.8	54.1
Unit SG&A expenses	\$66	\$103	\$114	\$93	\$258	73.1	55.2	11.5	176.0
Unit operating income or (loss)	\$409	\$239	\$667	\$175	\$615	63.1	-41.7	179.6	251.3
COGS/sales (1)	68.0	75.6	62.2	79.3	64.5	-5.8	7.5	-13.4	-14.8
Operating income or (loss)/ sales (1)	27.5	17.1	32.3	13.5	25.0	4.8	-10.4	15.2	11.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

Table C-2

Seamless OCTG: Summary data concerning the U.S. market, 2006-08, January-March 2008, and January-March 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2006	2007	2008	January-March		2006-08	2006-07	2007-08	Jan.-Mar. 2008-09
				2008	2009				
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	572,701	660,333	1,726,350	207,485	423,385	201.4	15.3	161.4	104.1
Value	580,834	668,358	2,327,621	201,529	703,999	300.7	15.1	248.3	249.3
Unit value	\$1,014	\$1,012	\$1,348	\$971	\$1,663	32.9	-0.2	33.2	71.2
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	579,166	363,766	848,855	112,996	229,560	46.6	-37.2	133.4	103.2
Value	1,030,267	618,138	1,664,563	163,081	561,507	61.6	-40.0	169.3	244.3
Unit value	\$1,779	\$1,699	\$1,961	\$1,443	\$2,446	10.2	-4.5	15.4	69.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	1,151,868	1,024,099	2,575,205	320,481	652,945	123.6	-11.1	151.5	103.7
Value	1,611,102	1,286,496	3,992,184	364,610	1,265,506	147.8	-20.1	210.3	247.1
Unit value	\$1,399	\$1,256	\$1,550	\$1,138	\$1,938	10.8	-10.2	23.4	70.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000)	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

Table C-3

Welded OCTG: Summary data concerning the U.S. market, 2006-08, January-March 2008, and January-March 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2006	2007	2008	January-March		2006-08	2006-07	2007-08	Jan.-Mar. 2008-09
				2008	2009				
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	152,325	200,378	471,206	73,175	153,898	209.3	31.5	135.2	110.3
Value	100,458	143,184	477,585	50,713	180,519	375.4	42.5	233.5	256.0
Unit value	\$659	\$715	\$1,014	\$693	\$1,173	53.7	8.4	41.8	69.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	625,408	500,846	685,859	143,710	158,430	9.7	-19.9	36.9	10.2
Value	568,221	471,817	908,325	132,054	218,435	59.9	-17.0	92.5	65.4
Unit value	\$909	\$942	\$1,324	\$919	\$1,379	45.8	3.7	40.6	50.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	777,734	701,223	1,157,064	216,885	312,327	48.8	-9.8	65.0	44.0
Value	668,679	615,001	1,385,910	182,767	398,954	107.3	-8.0	125.4	118.3
Unit value	\$860	\$877	\$1,198	\$843	\$1,277	39.3	2.0	36.6	51.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000)	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

APPENDIX D
TARIFF TREATMENT OF OCTG IN 2009

Harmonized Tariff Schedule of the United States (2009) (Rev. 1)

Annotated for Statistical Reporting Purposes

XV
73-6

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.29		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
		Other:				
		Casing:				
		Of iron or nonalloy steel:				
		Threaded or coupled		Free		20%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
		Other		Free		1%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.20		Other		Free		1%

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Annotated for Statistical Reporting Purposes

XV
73-7

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.29 (con.)		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
		Other (con.):				
		Casing (con.):				
		Of other alloy steel:				
7304.29.31		Threaded or coupled		Free		28%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.41		Other		Free		8.5%
		Having an outside diameter less than 215.9 mm:				
	10	Having a wall thickness less than 12.7 mm	kg			
	20	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter of 215.9 mm or more but not exceeding 285.8 mm:				
	30	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	50	Having a wall thickness less than 12.7 mm	kg			
	60	Having a wall thickness of 12.7 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			

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Annotated for Statistical Reporting Purposes

XV
73-8

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.29 (con.)		Casing, tubing and drill pipe, of a kind used in drilling for oil or gas (con.):				
		Other (con.):				
		Tubing:				
7304.29.50		Of iron or nonalloy steel		Free		25%
	15	Having an outside diameter not exceeding 114.3 mm:				
		Having a wall thickness not exceeding 9.5 mm	kg			
	30	Having a wall thickness exceeding 9.5 mm	kg			
	45	Having an outside diameter exceeding 114.3 mm but less than 215.9 mm	kg			
	60	Having an outside diameter of 215.9 mm or more but not exceeding 406.4 mm	kg			
	75	Having an outside diameter exceeding 406.4 mm	kg			
7304.29.61		Of other alloy steel		Free		35%
	15	Having an outside diameter not exceeding 114.3 mm:				
		Having a wall thickness not exceeding 9.5 mm	kg			
	30	Having a wall thickness exceeding 9.5 mm	kg			
	45	Having an outside diameter exceeding 114.3 mm but less than 215.9 mm	kg			
	60	Having an outside diameter of 215.9 mm or more but not exceeding 406.4 mm	kg			
	75	Having an outside diameter exceeding 406.4 mm	kg			

Harmonized Tariff Schedule of the United States (2009) (Rev. 1)

Annotated for Statistical Reporting Purposes

XV
73-9

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.31		Other, of circular cross section, of iron or nonalloy steel:				
7304.31.30	00	Cold-drawn or cold-rolled (cold-reduced):				
		Hollow bars	kg	Free		22%
7304.31.60	10	Other		Free		25%
		Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
7304.39.00	50	Other	kg	Free		25%
		Other				
		Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters:				
	02	Having an outside diameter less than 38.1 mm	kg			
	04	Having an outside diameter of 38.1 mm or more but less than 190.5 mm	kg			
	06	Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm	kg			
	08	Having an outside diameter exceeding 285.8 mm	kg			
	16	Other: Galvanized, having an outside diameter not exceeding 114.3 mm	kg			
	20	Other: Having an outside diameter less than 38.1 mm	kg			
	24	Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm: Having a wall thickness less than 6.4 mm	kg			
	28	Having a wall thickness of 6.4 mm or more but not exceeding 12.7 mm	kg			
	32	Having a wall thickness exceeding 12.7 mm	kg			

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Annotated for Statistical Reporting Purposes

XV
73-10

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of iron or nonalloy steel (con.):				
7304.39.00 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
		Having an outside diameter exceeding 114.3 mm but less than 190.5 mm:				
	36	Having a wall thickness less than 12.7 mm	kg			
	40	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	44	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm:				
	48	Having a wall thickness less than 12.7 mm	kg			
	52	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	56	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm:				
	62	Having a wall thickness less than 12.7 mm	kg			
	68	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	72	Having a wall thickness of 19 mm or more	kg			
		Having an outside diameter exceeding 406.4 mm:				
	76	Having a wall thickness less than 19 mm	kg			
	80	Having a wall thickness of 19 mm or more	kg			

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Annotated for Statistical Reporting Purposes

XV
73-11

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.41		Other, of circular cross section, of stainless steel:				
7304.41.30		Cold-drawn or cold-rolled (cold-reduced):				
	05	Of an external diameter of less than 19 mm	kg	Free		36%
	15	Of high-nickel alloy steel	kg			
		Other:				
	45	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
7304.41.60		Other	kg	Free		36%
	05	Of high-nickel alloy steel	kg			
	15	Other:				
	45	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
7304.49.00		Other	kg	Free		36%
	05	Of high-nickel alloy steel	kg			
	15	Other:				
	45	Hollow bars	kg			
	60	Other:				
	45	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters	kg			
7304.51		Other, of circular cross section, of other alloy steel:				
7304.51.10	00	Cold-drawn or cold-rolled (cold-reduced):				
		Suitable for use in the manufacture of ball or roller bearings	kg	Free		34%
7304.51.50	05	Other	kg	Free		35%
		Of high-nickel alloy steel	kg			
		Other:				
	15	Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters:				
	45	Of heat-resisting steel	kg			
	60	Other	kg			
		Other	kg			

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Annotated for Statistical Reporting Purposes

XV
73-12

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
7304.59		Other, of circular cross section, of other alloy steel (con.):				
7304.59.10	00	Other: Suitable for use in the manufacture of ball or roller bearings	kg	Free		34%
7304.59.20		Other: Suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters		Free		35%
	30	Of heat-resisting steel	kg			
	40	Other: Having an outside diameter less than 38.1 mm	kg			
	45	Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm	kg			
	55	Having an outside diameter exceeding 114.3 mm but less than 190.5 mm	kg			
	60	Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm	kg			
	70	Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.59.60	00	Other: Of heat-resisting steel	kg	Free		36%
7304.59.80		Other		Free		35%
	10	Having an outside diameter less than 38.1 mm	kg			
	15	Having an outside diameter of 38.1 mm or more but not exceeding 114.3 mm: Having a wall thickness less than 6.4 mm	kg			
	20	Having a wall thickness of 6.4 mm or more but not exceeding 12.7 mm	kg			
	25	Having a wall thickness exceeding 12.7 mm	kg			
	30	Having an outside diameter exceeding 114.3 mm but less than 190.5 mm: Having a wall thickness less than 12.7 mm	kg			
	35	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	40	Having a wall thickness of 19 mm or more	kg			

Harmonized Tariff Schedule of the United States (2009) (Rev. 1)

Annotated for Statistical Reporting Purposes

XV
73-13

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7304 (con.)		Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel (con.):				
		Other, of circular cross section, of other alloy steel (con.):				
7304.59 (con.)		Other (con.):				
		Other (con.):				
		Other (con.):				
7304.59.80 (con.)		Other (con.):				
	45	Having an outside diameter of 190.5 mm or more but not exceeding 285.8 mm: Having a wall thickness less than 12.7 mm	kg			
	50	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	55	Having a wall thickness of 19 mm or more	kg			
	60	Having an outside diameter exceeding 285.8 mm but not exceeding 406.4 mm: Having a wall thickness less than 12.7 mm	kg			
	65	Having a wall thickness of 12.7 mm or more but less than 19 mm	kg			
	70	Having a wall thickness of 19 mm or more	kg			
	80	Having an outside diameter exceeding 406.4 mm	kg			
7304.90		Other:				
		Having a wall thickness of 4 mm or more:				
7304.90.10	00	Of iron or nonalloy steel	kg	Free		1%
7304.90.30	00	Of alloy steel	kg	Free		8.5%
		Having a wall thickness of less than 4 mm:				
7304.90.50	00	Of iron or nonalloy steel	kg	Free		25%
7304.90.70	00	Of alloy steel	kg	Free		35%

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Annotated for Statistical Reporting Purposes

XV
73-14

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7305		Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross sections, the external diameter of which exceeds 406.4 mm, of iron or steel:				
7305.11		Line pipe of a kind used for oil or gas pipelines:				
7305.11.10		Longitudinally submerged arc welded:				
	30	Of iron or nonalloy steel	kg	Free	5.5%	
	60	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
7305.11.50	00	Of alloy steel	kg	Free	10%	
7305.12		Other, longitudinally welded:				
7305.12.10		Of iron or nonalloy steel	kg	Free	5.5%	
	30	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
	60	With an external diameter exceeding 609.6 mm	kg			
7305.12.50	00	Of alloy steel	kg	Free	10%	
7305.19		Other:				
7305.19.10		Of iron or nonalloy steel	kg	Free	5.5%	
	30	With an external diameter exceeding 406.4 mm but not exceeding 609.6 mm	kg			
	60	With an external diameter exceeding 609.6 mm	kg			
7305.19.50	00	Of alloy steel	kg	Free	10%	
7305.20		Casing of a kind used in drilling for oil or gas:				
7305.20.20	00	Of iron or nonalloy steel:				
		Threaded or coupled	kg	Free	20%	
7305.20.40	00	Other	kg	Free	1%	
7305.20.60	00	Of alloy steel:				
		Threaded or coupled	kg	Free	28%	
7305.20.80	00	Other	kg	Free	8.5%	
7305.31		Other, welded:				
7305.31.20	00	Longitudinally welded:				
		Tapered pipes and tubes of steel principally used as parts of illuminating articles	kg	Free	45%	
7305.31.40	00	Other:				
		Of iron or nonalloy steel	kg	Free	5.5%	
7305.31.60	00	Of alloy steel	kg	Free	10%	
7305.39		Other:				
7305.39.10	00	Of iron or nonalloy steel	kg	Free	5.5%	
7305.39.50	00	Of alloy steel	kg	Free	10%	
7305.90		Other:				
7305.90.10	00	Of iron or nonalloy steel	kg	Free	5.5%	
7305.90.50	00	Of alloy steel	kg	Free	10%	

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Annotated for Statistical Reporting Purposes

XV
73-15

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
7306		Other tubes, pipes and hollow profiles (for example, open seamed or welded, riveted or similarly closed), of iron or steel:				
7306.11.00	10	Line pipe of a kind used for oil or gas pipelines: Welded, of stainless steel	kg	Free		10%
	50	With an outside diameter not exceeding 114.3 mm	kg			
		With an outside diameter exceeding 114.3 mm	kg			
7306.19		Other:				
7306.19.10	10	Of iron or nonalloy steel	kg	Free		5.5%
	50	With an outside diameter not exceeding 114.3 mm	kg			
		With an outside diameter exceeding 114.3 mm	kg			
7306.19.51	10	Of alloy steel	kg	Free		10%
	50	With an outside diameter not exceeding 114.3 mm	kg			
		With an outside diameter exceeding 114.3 mm	kg			
		Casing and tubing of a kind used in drilling for oil or gas:				
7306.21		Welded of stainless steel:				
		Casing:				
7306.21.30	00	Threaded or coupled	kg	Free		28%
7306.21.40	00	Other	kg	Free		8.5%
7306.21.80	10	Tubing	kg	Free		10%
	50	Imported with coupling	kg			
		Other	kg			
		Other:				
		Casing:				
7306.29.10	30	Of iron or nonalloy steel:				
	90	Threaded or coupled	kg	Free		20%
		Imported with coupling	kg			
		Other	kg			
7306.29.20	00	Other	kg	Free		1%
		Other:				
7306.29.31	00	Threaded or coupled	kg	Free		28%
7306.29.41	00	Other	kg	Free		8.5%
		Tubing:				
7306.29.60	10	Of iron or nonalloy steel	kg	Free		5.5%
	50	Imported with coupling	kg			
		Other	kg			
7306.29.81	10	Other	kg	Free		10%
	50	Imported with coupling	kg			
		Other	kg			

APPENDIX E
NONSUBJECT PRICING

Table E-1

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table E-2

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table E-3

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table E-4

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table E-5

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 5, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

Table E-6

OCTG: Weighted-average f.o.b. prices and quantities of domestic and imported product 6, and margins of underselling/(overselling), January 2006-March 2009

* * * * *

APPENDIX F

**ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. PRODUCERS'
EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,
GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2006, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of OCTG from China. Their responses are as follows:

Actual Negative Effects

* * * * *

Anticipated Negative Effects

* * * * *

