
DEPARTMENT OF COMMERCE**International Trade Administration**

[C-570-936]

Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination

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

SUMMARY: The Department of Commerce (the Department) determines that countervailable subsidies are being provided to producers and exporters of circular welded carbon quality steel line pipe (line pipe) from the People's Republic of China (the PRC). For information on the estimated subsidy rates, see the "Suspension of Liquidation" section of this notice.

DATES: *Effective Date:* November 24, 2008.

FOR FURTHER INFORMATION CONTACT: Kristen Johnson or John Conniff, AD/CVD Operations, Office 3, Operations, Import Administration, U.S. Department of Commerce, Room 4014, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-4793 and (202) 482-1009, respectively.

SUPPLEMENTARY INFORMATION:**Background**

This investigation covers 30 programs and the following producers/exporters: Huludao Seven-Star Steel Pipe Group Co., Ltd. (Huludao Seven Star Group), Huludao Steel Pipe Industrial Co. Ltd. (Huludao Steel Pipe), and Huludao Bohai Oil Pipe Industrial Co. Ltd. (Huludao Bohai Oil Pipe) (collectively, the Huludao Companies), and Liaoning Northern Steel Pipe Co., Ltd. (Northern Steel).

The petitioners in this investigation are United States Steel Corporation, Maverick Tube Corporation, Tex-Tube Company, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (collectively, the petitioners).

Period of Investigation

The period of investigation (the POI) for which we are measuring subsidies is

January 1, 2007, through December 31, 2007, which corresponds to the PRC's most recently completed fiscal year. See 19 CFR 351.204(b)(2).

Case History

The following events have occurred since the Department announced the preliminary determination on September 3, 2008. See *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297 (September 9, 2008) (*Line Pipe Preliminary Determination*).

On September 17, 2008, we issued a supplemental questionnaire to the Government of the People's Republic of China (GOC) and the Huludao Companies. On September 24, 2008, the GOC and the Huludao Companies submitted responses to the Department supplemental questionnaire. No supplemental questionnaire was issued to Northern Steel.

On September 23, 2008, the Department determined not to investigate petitioners' uncreditworthy allegations as well as certain subsidy allegations involving Northern Steel. Memorandum to Melissa G. Skinner, Director, Office 3, Operations, from Eric B. Greynolds, Program Manager, Office 3, Operations, "Status of New Subsidy and Uncreditworthy Allegations Filed By Petitioners," the Department determined that it did not have the resources or time to examine petitioners' uncreditworthy allegations.

Also, in September 2008, petitioners and the GOC made several new factual submissions consistent within the deadline for the submission of factual information established by 19 CFR 351.301(b)(1).

From October 7 through October 14, 2008, we conducted verification of the questionnaire responses submitted by the GOC, Huludao Seven Star Group, Huludao Steel Pipe, and Huludao Bohai Oil Pipe and Northern Steel (collectively, respondents). We issued the verification reports on October 23, 24, 27, and 28, 2008.¹

On November 3, 2008, we received case briefs from petitioners, the GOC, and the Huludao Companies. Rebuttal briefs were submitted on November 10, 2008. On November 12, 2008, we held separate *ex parte* meetings with representatives of petitioners and the GOC. See the Department's November 12, 2008, memoranda to the file, which

are public documents on file in room 1117 of the main Commerce building.

Scope of Investigation

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

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

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

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

Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: Is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term "painted" does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

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

Injury Test

Because the PRC is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Tariff Act of 1930, as amended (the Act), the International Trade Commission (the ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury, to a U.S. industry. On June 3, 2008, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from the PRC of the subject merchandise. See *Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea*, Investigation Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary), 73 FR 31712 (June 3, 2008).

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this investigation are addressed in the Decision Memorandum. Attached to this notice as an Appendix is a list of the issues that parties raised and to which we have responded in the Decision Memorandum. Parties can find a complete discussion of all issues raised in this investigation and the corresponding recommendations in this public memorandum, which is on file in the Department's Central Records Unit. In addition, a complete version of the Decision Memorandum can be accessed directly on the Internet at <http://ia.ita.doc.gov/frn/>. The paper copy and electronic version of the Decision Memorandum are identical in content.

Suspension of Liquidation

In accordance with section 705(c)(1)(B)(i)(I) of the Act, we have calculated an individual rate for the companies under investigation: the Huludao Companies and Northern Steel. Sections 703(d) and 705(c)(5)(A) of the Act state that for companies not investigated, we will determine an all-others rate by weighting the individual company subsidy rate of each of the companies investigated by each company's exports of the subject

¹ The public version of the verification reports and all public reports are on file in the Central Records Unit, room 1117 in the main building of the Commerce Department.

merchandise to the United States. The all-others rate may not include zero and *de minimis* net subsidy rates, or any rates based solely on the facts available.

Notwithstanding the language of section 705(c)(1)(B)(i)(I) of the Act, we have not calculated the all-others rate by weight averaging the rates of the Huludao Companies and Northern Steel because doing so risks disclosure of proprietary information. Therefore, for the all-others rate, we have calculated a simple average of the two responding firms' rates.

Producer/exporter	Subsidy rate (percent ad valorem)
Liaoning Northern Steel Pipe Co., Ltd.	40.05
Huludao Seven-Star Steel Pipe Group Co., Ltd. (Huludao Seven Star Group), Huludao Steel Pipe Industrial Co. Ltd. (Huludao Steel Pipe), and Huludao Bohai Oil Pipe Industrial Co. Ltd. (Huludao Bohai Oil Pipe) (collectively, the Huludao Companies)	35.63
All Others	37.84

As a result of the *Line Pipe Preliminary Determination* and pursuant to section 703(d) of the Act, we instructed the U.S. Customs and Border Protection (CBP) to suspend liquidation of all entries of line pipe from the PRC which were entered or withdrawn from warehouse, for consumption on or after September 9, 2008, the date of the publication of the *Line Pipe Preliminary Determination* in the **Federal Register**.

We will issue a CVD order under section 706(a) of the Act if the ITC issues a final affirmative injury determination, and will require a cash deposit of estimated countervailing duties for such entries of merchandise in the amounts indicated above. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the

ITC confirms that it will not disclose such information, either publicly or under an APO, without the written consent of the Assistant Secretary for Import Administration.

Return or Destruction of Proprietary Information

In the event that the ITC issues a final negative injury determination, this notice will serve as the only reminder to parties subject to an administrative protective order (APO) of their responsibility concerning the destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return/ destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

This determination is published pursuant to sections 705(d) and 777(i) of the Act.

Dated: November 17, 2008.

David M. Spooner,
Assistant Secretary for Import Administration.

Appendix—Issues and Decision Memorandum

List of Comments and Issues in the Decision Memorandum

Comment 1: Whether the Department Should Reject the Ownership Data Supplied by the GOC for Use in the Provision of Hot-Rolled Steel (HRS) for Less Than Adequate Remuneration (LTAR) Program and Resort to the Use of Adverse Facts Available (AFA).

Comment 2: Whether the Huludao Companies Submitted Sufficient Information to Establish the Identity and Ownership of Producers that Sold HRS to the Huludao Companies through Trading Companies.

Comment 3: Whether the Five Factor Test Should Be Used To Assess Which Producers of HRS Are State-Owned.

Comment 4: Whether the Sale of HRS from Privately-Held Trading Companies Constitutes a Financial Contribution Under the Act.

Comment 5: Whether the Use of an In-Country Benchmark is Permissible When Calculating Benefits Under the Provision of HRS for LTAR Program.

Comment 6: Whether the Department's *De Facto* Specificity Analysis Under the Provision of HRS for LTAR Program was Flawed.

Comment 7: Whether to Adjust the Benchmark Used in the Provision of HRS for LTAR Program for International Freight.

Comment 8: Whether the Department Erred When Adding Import Duties and VAT to the Benchmark Price Used in the Provision of HRS for LTAR Program.

Comment 9: Whether the Department Should Add VAT of 17 Percent to the Purchase Price of HRS the Huludao

Companies Acquired During the POI When Examining the Provision of HRS for LTAR.

Comment 10: Whether the Department Erred in Using an Inflation-Adjusted Interest Rate to Calculate the Short-Term Benchmark.

Comment 11: Whether the Department Should Revise Its Short-Term Benchmark Methodology by Either Basing the Short-Term Benchmark On a Simple Average of Applicable Short-Term Rates or Adding an Additional "Governance Factor" to the Regression Analysis.

Comment 12: Whether the IMF Rates Used in the Department's Short-Term Regression-Based Benchmark Methodology are, In Fact, Long-Term Rates and Therefore Flawed.

Comment 13: Whether the Regression-Based Analysis Used to Derive the Short-Term Benchmark Interest Rate is Invalid.

Comment 14: Whether the Department Should Revise the Manner in Which It Incorporated a Risk Premium to the RMB Denominated Long-Term Benchmark.

Comment 15: Whether the Department's Regulations Authorize the Use of Out-Of-Country Interest Rate Benchmarks.

Comment 16: Whether the Department Has the Legal Authority to Apply the CVD Law to the PRC While Simultaneously Treating the PRC as an NME in Parallel Antidumping Investigations.

Comment 17: Whether the Application of the CVD Law to the PRC Results in Double Counting of Duties.

Comment 18: Whether the Department Should Use a "Cut-Off" Date That Is More Recent Than December 11, 2001.

Comment 19: Whether Certain Interest-Free Loans the Huludao Companies Received Constituted Financial Contributions Received After December 11, 2001, the Date of the PRC's Accession to the World Trade Organization (WTO).

Comment 20: Whether the Department Erred in Refusing to Investigate the Creditworthiness of the Huludao Companies for Years 2004 Through 2007.

Comment 21: Whether the GOC Established an Industrial Policy to Encourage Preferential Lending to the Producers of Subject Merchandise.

Comment 22: Whether the Department Should Countervail the Provision of Land at LTAR.

Comment 23: Whether the Department Should Add an Additional Land-Use Right Acquisition by the Huludao Companies to its Subsidy Analysis Under the Provision of Land for LTAR Program.

Comment 24: Whether Northern Steel Acquired Land-Use Rights from a Government Authority.

Comment 25: Whether Certain Loans Issued to the Huludao Companies from State-Owned Banks Were Contingent Upon Exports.

Comment 26: Whether There Is Sufficient Information to Determine that a Program-Wide Change Occurred With Respect to the Domestic Income Tax Credit for Domestically-Produced Equipment Program.

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