OIL COUNTRY TUBULAR GOODS FROM ARGENTINA, CANADA, AND TAIWAN

Determinations of the Commission in Investigations Nos. 701-TA-255 and 256 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

Determinations of the Commission in Investigations Nos. 731-TA-275, 276, and 277 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note — Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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
Washington, DC

Investigtions Nos. 701-TA-255 and 256 (Preliminary) and
731-TA-275, 276 and 277 (Preliminary)

OIL COUNTRY TUBULAR GOODS FROM ARGENTINA, CANADA AND TAIWAN

Determinations

On the basis of the record 1/ developed in investigations Nos. 701-TA-255 and 256 (Preliminary), the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured 2/3/ by reason of imports from Canada and Taiwan of oil country tubular goods, provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Governments of Canada and Taiwan.

On the basis of the record 1/ developed in investigations Nos. 731-TA-275, 276 and 277 (Preliminary), the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured 2/3/ by reason of imports from Argentina, Canada, and Taiwan of oil country tubular goods, provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).
2/ Chairwoman Stern determined that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury.
3/ Vice Chairman Liebeler dissenting.

Background

On July 22, 1985, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Lone Star Steel Company, Dallas, TX, and CF&I Steel Corporation, Pueblo, CO., alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of oil country tubular goods from Canada and Taiwan which are alleged to be subsidized by the Governments of Canada and Taiwan; and by imports of such merchandise from Argentina, Canada, and Taiwan which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective July 22, 1985, the Commission instituted preliminary countervailing duty investigations Nos. 701-TA-255 and 256 (Preliminary) and antidumping investigations Nos. 731-TA-275, 276 and 277 (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 July 31, 1985 (50 FR 31054). The conference was held in Washington, DC on August 9, 1985. All persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION 1/

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports of oil country tubular goods from Canada and Taiwan. 2/

We also determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of oil country tubular goods from Argentina, Canada, and Taiwan, which are allegedly sold at less than fair value (LTFV). 3/ 4/

The imports in these investigations, when cumulated with other OCTG imports subject to investigation, increased in volume and market share during a period when the domestic industry's market share was on a downward trend and the industry was experiencing a severe downturn in all performance indicators. Although the overall condition of the industry improved somewhat in 1984, the first half of 1985 brought another downturn in performance. Evidence of lost sales and underselling by the imports in these investigations, together with data showing domestic price depression since 1982, provide a reasonable indication that the allegedly unfair imports were a cause of material injury to the domestic OCTG industry.

1/ Although Vice Chairman Liebeler finds in the negative for these investigations, she joins in the discussion of the like product/domestic industry and the condition of the domestic industry. See her dissenting views on cumulation and causation for her reasons for reaching the negative determinations.

2/ This determination is based on aggregate import data obtained by cumulating imports from Canada, Taiwan, and Austria. Chairwoman Stern also cumulated imports from Argentina with those of the other three countries up to the date of the final countervailing duty order on imports from Argentina, dated Nov. 27, 1984. 49 Fed. Reg. 46,564 (1984).

3/ This determination is based on aggregate import data obtained by cumulating imports from Argentina, Canada, Taiwan, and Austria.

4/ In these countervailing duty and antidumping investigations, Chairwoman Stern determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury.

Like product/domestic industry

The imported product in these preliminary investigations is oil country tubular goods (OCTG). Included in the scope of these preliminary investigations for OCTG are casing, tubing, and drill pipes for use in drilling oil and gas wells and for transporting oil and gas to the surface. In recent investigations on these same products, 5/ the Commission determined that seamless and welded OCTG were one like product. We further determined that green tubes were the same like product as finished OCTG, and that drill pipe was a separate like product from casing and tubing. 6/ No evidence was presented in these preliminary investigations to change our determination as to the like products under investigation. 7/

The Canadian producers took issue with our determinations that seamless and welded OCTG are one like product. They argued that their seamless OCTG are superior in quality, higher in price, and preferable in many uses to

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5/ Oil Country Tubular Goods from Brazil, Korea, and Spain, Invs. Nos. 701-TA-215-217 (Final), USITC Pub. 1633 (Jan. 1985); see also, Oil Country Tubular Goods from Austria, Romania, and Venezuela, Invs. Nos. 701-TA-240-241 and 731-TA-249-251 (Preliminary), USITC Pub. 1679 (Apr. 1985); Oil Country Tubular Goods from Argentina and Spain, Invs. Nos. 731-TA-191, 195 (Final), USITC Pub. 1694 (May 1985).

6/ In the present investigation, the staff asked the domestic producers to break out their data for drill pipe. However, the majority of the industry did not supply separate data for drill pipe production, profit and loss, and employment. Report of the Commission (Report) at A-17-A-23. Thus, the available data do not permit the identification of drill pipe production as a separate industry. Therefore, under section 771(4)(D) of the Tariff Act of 1930, in this situation the effect of the dumped imports are to be assessed by examination of the narrowest group that includes drill pipe, and for which the necessary information can be provided, that is all OCTG. 19 U.S.C. § 1677(4)(D).

7/ In the current investigations, as in previous investigations, Commissioner Eckes and Commissioner Lodwick do not find that drill pipe is a separate like product.

welded goods. 8/ However, we found in previous investigations that certain welded pipes and tubes, such as the products of Lone Star Steel, are substitutable for the seamless pipes and tubes in deep well drilling and will be substituted if the price is cheaper. 9/ We therefore conclude that seamless and welded OCTG are one like product. No evidence was presented in these preliminary investigations regarding questions other than the seamless-welded distinction. 10/

For purposes of these preliminary investigations, we conclude that there is one domestic OCTG industry producing seamless and welded casing and tubing, including green tubes, and drill pipe. 11/ 12/

Condition of the domestic industry

In previous investigations, the Commission found that the domestic OCTG industry enjoyed a very healthy year in 1981. Its condition declined

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8/ Respondents argued that in past cases involving pipes and tubes, the Commission separated welded from seamless pipes and tubes. However, in those past cases, OCTG were generally considered separate products that were not like the specific pipes and tubes under investigation. See Certain Seamless Steel Pipes and Tubes from Japan, Inv. No. 731-TA-87 (Final), USITC Pub. 1347 at 4 (1983); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Inv. No. 701-TA-168 (Final), USITC Pub. 1345 (1983); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-131-132, USITC Pub. 1389 (1983).

9/ American Petroleum Institute (API) specifications for many grades of casing and tubing specify that either seamless or welded pipe is acceptable. Report at A-8.

10/ Taiwanese respondents argued that only API specification products should be included in the definition of like product in this investigation, but did not provide evidence to justify such a position.

11/ The data received from the Department of Commerce indicate imports of drill pipe from Argentina, while the data received from importers' questionnaires indicate no imports of drill pipe from any of the countries subject to investigation. Should these investigations return as final investigations, we will explore more completely the extent of imports of drill pipe, and the effect of these imports on the domestic producers of drill pipe.

12/ Sections 771(4)(A) and (4)(D) of the Tariff Act of 1930 (19 U.S.C. §§ 1677(4)(A) and (4)(D)).

dramatically during the next two years. 13/ Although 1984 and the first five months of 1985 showed minor reversals of this trend, the general decline of the industry continued throughout the period. The industry is still operating at low levels and is suffering financial losses.

In 1981, several firms in the domestic industry initiated programs to expand their capacity to produce OCTG. However, as sales plummeted in 1982 and 1983, many of these firms either abandoned or delayed their planned expansions. 14/

Between 1982 and 1983, production declined by almost 71 percent. Although production rose in 1984, it remained 11.8 percent below the 1982 level, and continued to decline through May of 1985. Capacity declined slightly between 1982 and 1984 and marginally increased in interim 1985 over the corresponding period in 1984. Capacity utilization showed a trend similar to production and continued to decline in the first five months of 1985 to a level of 19 percent. 15/

Domestic shipments of OCTG also declined, by 15 percent, from 1982 to 1984. In the first five months of 1985, compared to the same period in 1984, shipments increased by 3.5 percent, but remained well below 1982 levels. 16/

Employment and the number of hours worked fluctuated, but in 1984 both factors were about 41 percent below 1982 levels. Total compensation per hour decreased by 10 percent between 1982 and 1984. Total compensation then rose to approximately the 1982 level for the first five months of 1985. 17/

13/ Oil Country Tubular Goods from Brazil, Korea, and Spain, Invs. Nos. 701-TA-215-217 (Final), USITC Pub. 1633 at 8 (Jan. 1985).
14/ *Id*.
15/ Report at A-17.
16/ *Id*. at A-18.
17/ *Id*. at A-19.

Domestic producers' net OCTG sales plummeted from $2.4 billion in 1982 to $500 million in 1983. Net sales then increased to $1.2 billion in 1984, and increased to $272 million for the interim period ending March 31, 1985, compared to net sales of $195 million during the corresponding period of 1984.

Although sales levels increased recently, profits did not. In 1982, operating income from OCTG operations stood at 13.9 percent of net sales. In 1983, operating losses replaced operating income, and by 1984 constituted 13.6 percent of sales. These losses nearly doubled in interim 1985 over the corresponding period in 1984. 18/ In the aggregate, the responding firms experienced an increasingly negative cash flow in their OCTG operations in 1985 as compared with a positive cash flow in 1982. 19/ We therefore determine that the domestic OCTG industry is experiencing material injury. 20/ 21/

18/ Id. at A-21-A-22.

19/ Id.

20/ Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industry is experiencing economic problems.

21/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

> The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is 'by reason of' the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstances, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984) (emphasis supplied), aff'd sub nom., Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

Cumulation

Section 612 of the Tariff and Trade Act of 1984 (the 1984 Act) amends section 771(7)(C)(iv) of the Tariff Act of 1930. 22/ The new provision states:

> (iv) Cumulation--For the purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

In determining whether to cumulate these imports, we considered whether: (1) they compete with each other and the domestic like product; (2) they are marketed within a reasonably coincidental period; 23/ and (3) they are subject to an investigation. For the purposes of our preliminary determinations in these countervailing duty investigations, we cumulated imports from Canada, Taiwan, and Austria. 24/ For the purposes of our preliminary determinations in these antidumping investigations, we cumulated imports from Argentina, Canada, Taiwan, and Austria. 25/

22/ 19 U.S.C. § 1677(7)(C)(iv).

23/ This requirement is derived from the legislative history of the statute. H.R. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984).

24/ Chairwoman Stern also cumulated imports from Argentina with those of the other countries, up to the date of the final countervailing duty order on imports from Argentina, dated Nov. 27, 1984. 49 Fed. Reg. 46,564 (1984).

25/ If these countervailing duty and antidumping cases return as final investigations, we will more closely examine the appropriateness of cumulation, especially as to imports from Canada.

We determine that the imports of OCTG from Argentina, Canada, Taiwan, and Austria and the domestic OCTG product compete with each other. 26/ To reach this determination, we first found that these products are fungible. Suppliers of Canadian seamless OCTG argued that their product is not fungible with other OCTG in that it is of a higher, "world class" quality. However, the seamless product accounts for a little more than a third of imports from Canada. 27/ Further, the record for these preliminary investigations indicates that a range of product quality is being supplied by the Canadian producers, a range that includes products that are the same as those imported from Argentina, Austria, and Taiwan. 28/

The imports from Argentina, Taiwan, and Austria and the domestic product are directed to the same end-users and to the same geographical markets, primarily the Gulf Coast and the Southwestern United States. Most of the OCTG imports from Argentina, Taiwan, and Austria enter through the port of Houston and pass through the same channels of distribution as the domestic product. Both Austrian and Taiwanese imports also enter the United States through East Coast ports.

26/ To determine whether the imports compete with each other and the domestic product, we considered:

- the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product;
- the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
- whether the prices of imports and the domestic like product are within a reasonable range;
- whether the imports are simultaneously present in the market.

27/ Office of Investigations memorandum INV-I-168 (Aug. 26, 1985).

28/ Report at A-44.

Canadian producers argued that, unlike the imports from Argentina and Taiwan, Canadian OCTG enter the United States through northern ports such as Detroit and Buffalo, rather than through Houston and New Orleans, and serve different markets, such as the Appalachian and Rocky Mountain regions. Canadian producers also argued that they use different channels of distribution, such as established distributors rather than selling directly to end users as do the Argentines and the Taiwanese. However, at least one Canadian producer maintains a sales office in Houston. 29/ Moreover, evidence of a lost sale to Canadian imports in the Houston area indicates that the Canadian product does compete in the same Gulf Coast market to which the domestic and other imported OCTG are directed. One lost sale to Argentine imports occurred in the Midwest, which also suggests competition with Canadian products in the northern and central tier of states on which the Canadians claim to focus their imports. 30/

The record indicates that the prices of domestic OCTG and of imports from Argentina, Canada, Taiwan, and Austria were reasonably comparable. 31/ The record also shows that domestic shipments and imports from Argentina, Canada, Taiwan, and Austria maintained a share of the market, and so were simultaneously present in the market during the entire period of this investigation. 32/

For purposes of these preliminary investigations we further determine that imports from Argentina, Canada, Taiwan, and Austria were marketed within

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29/ Transcript of the conference at 102.

30/ Report at A-43-A-44.

31/ Id. at A-62-A-65. Canadian imports were priced above imports from Argentina and Taiwan in some instances. We note that pricing data in these preliminary investigations were limited. In any final investigation, we will look more closely at price competition between these imports in our analysis regarding cumulation.

32/ *Id.* at A-30.

a reasonably coincident period and may properly be considered under investigation. 33/ As noted above, imports from these four countries were simultaneously present during the entire period of investigation. In the countervailing duty investigations, imports from Canada and Taiwan are subject to investigation. Imports from Argentina, Canada, and Taiwan are subject to the antidumping investigations. 34/ Finally, imports from Austria are subject to ongoing, final countervailing duty and antidumping investigations. 35/

Reasonable indication of material injury by reason of allegedly subsidized imports and imports allegedly sold at LTFV from Argentina, Canada, and Taiwan

In these countervailing duty investigations, aggregate market share for the cumulated imports was 3.5 percent in 1982, 2.4 percent in 1983, and 6.1 percent in 1984. This figure increased to 9.4 percent in the first five months of 1985, considerably higher than the 4.4 percent figure for the corresponding period in 1984. 36/ In the LTFV cases, these figures were

33/ Chairwoman Stern notes that she did not find it appropriate to also cumulate imports from Brazil, Mexico, Venezuela, and Spain. These countries entered into voluntary restraint agreements on OCTG. Petitioners argue that cumulation is nevertheless warranted because such agreements limit only fairly traded imports. However petitioners withdrew their support of the petitions alleging unfair trade practices on the part of these countries. These imports therefore do not meet a necessary element for cumulation, that the imports be "under investigation."

34/ Argentina was the subject of a recent final negative determination in an antidumping investigation. Oil Country Tubular Goods from Argentina and Spain, Invs. Nos. 731-TA-191, 195 (Final), USITC Pub. 1694 (May 1985). That determination was made under the law as it existed prior to the Trade and Tariff Act of 1984, which requires the Commission to cumulate under certain circumstances. Our determination in this investigation is made under the new law.

35/ Oil Country Tubular Goods from Austria, Romania, and Venezuela, Invs. Nos. 701-TA-240-241 and 731-TA-249-251 (Preliminary), USITC Pub. 1679 (Apr. 1985).

36/ Chairwoman Stern notes that the cumulated import penetration for Argentina (through November 1984), Austria, Taiwan, and Canada in the countervailing duty investigation was 3.9 percent in 1982, 3.5 percent in 1983, and 6.6 percent in 1984. In the first five months of 1985, this figure increased to 9.4 percent, considerably higher than the 4.7 percent figure for the corresponding period in 1984.

slightly higher. 37/ We note that domestic market share rose from 40.7 percent in 1982 to 52.7 percent in 1983, but dropped back to 40.6 percent in 1984. From January to May, 1985, the domestic industry had a 35.3 percent share of the market. 38/

The Commission obtained 31 quarterly price comparisons between domestic and imported OCTG from Argentina, Canada, and Taiwan. Twelve of the 31 quarterly price comparisons between the domestic and imported OCTG showed underselling by the imported products. 39/

The Commission's staff confirmed two instances where domestic producers lost sales to imports from Canada due to price. There were also three confirmed instances of sales lost to imports from Argentina, but no allegations of lost sales to imports from Taiwan. 40/

Prices for domestic OCTG dropped in general during the period under investigation, although the prices of a few products rose slightly in recent months. 41/ This depression of domestic prices and profitability may in part result from the presence of the allegedly unfairly traded imports in the market.

We recognize that there were several causes of injury to the domestic OCTG industry during the period of investigation, including decreased demand

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37/ Chairwoman Stern notes that cumulated import penetration for Austria, Taiwan, Argentina, and Canada in the antidumping investigations was 3.9 percent in 1982, 3.5 percent in 1983, 6.6 percent in 1984, and 9.8 percent for the first five months of 1985.

38/ Report at A-30.

39/ Id. at A-34–A-35. We note that the mixed result of the pricing comparisons is largely due to the data on Canadian imports, which indicated numerous instances of overselling by the imports. We will seek more extensive pricing data should these cases return as final investigations.

40/ Id. at A-42–A-46.

41/ Id. at A-33.

for the product. However, the Commission is not to weigh causes in a title VII case at either the preliminary or final stage. It is possible for both declining demand and unfairly traded imports to materially injure an industry. In fact, the imports might result in relatively greater injury to an industry facing a downturn in demand. In this instance, the domestic OCTG industry not only experienced decreased sales and profits during the period of investigation, but also lost market share as the allegedly unfair imports gained market share.

For the foregoing reasons, we conclude that there is a reasonable indication that an industry in the United States is materially injured by imports of OCTG from Canada and Taiwan that are allegedly subsidized. We further conclude that there is a reasonable indication that an industry in the United States is materially injured by imports of OCTG from Argentina, Canada, and Taiwan that are allegedly sold at less than fair value.

DISSENTING VIEWS OF VICE CHAIRMAN LIEBELER

I join with my fellow Commissioners in their discussion of like product/domestic industry and condition of the domestic industry. In this section I set out my separate views on cumulation and causation.[1]

CUMULATION

In a number of previous investigations I have discussed the cumulation provision enacted as part of the Tariff and Trade Act of 1984 ("1984 Act").[2] Section 612(a)(2)(A) of the 1984 Act amends Title VII by adding a new subsection at the end of subparagraph C, section 771(7)(C)(iv):

> (iv) CUMULATION - For purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.[3]

In Certain Carbon Steel Products from Austria, Czeckoslovakia, East Germany, Hungary, Norway, Poland, Romania,

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[1]Material retardation is not an issue in these investigations.

[2]Certain Carbon Steel Products from Austria, Czeckoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden and Venezuela, Inv. Nos. 701-TA-225-34 (Preliminary), 731-TA-213-17, 19, 21-26, 28-35 (Preliminary), USITC Pub 1642 (1985); Oil Country Tubular Goods from Austria, Romania, and Venezuela, Inv. Nos. 791-TA-240-41 (Preliminary), 731-TA-249-51 (Preliminary), USITC Pub. 1679 (1985).

[3]19 U.S.C. §1677(7)(C)(iv) (1984 & 1985 Supp.).

Sweden and Venezuela ("Carbon Steel"), I explained why it is inappropriate to "cross-cumulate", that is to cumulate imports from countries subject to only countervailing duty investigations with competing imports from countries subject only to antidumping duty investigations.[4] I also explained why it is inappropriate to cumulate imports from countries subject to outstanding final antidumping or countervailing duty orders with imports from countries that are currently the subject of investigation.[5]

The parties in the current investigations, Argentina, Canada and Taiwan, are all respondents in the present antidumping duty investigations, but only Canada and Taiwan are respondents in the present countervailing duty investigations.[6] In Oil Country Tubular Goods from Austria, Romania and Venezuela, the Commission determined that there was a reasonable indication that an industry in the United States is materially injured by allegedly subsidized imports from Austria and Venezuela and that there was a reasonable indication that an industry in the United States is injured by reason of

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[4]Carbon Steel, Inv. No. 701-TA-225-34 (Preliminary), 731-TA-213-217, 19, 21-26, 28-35 (Preliminary), USITC Pub. 1642 (1985), at 44-48.

[5]Id. at 48-50.

[6]Argentina is subject to a November, 1984 final countervailing duty order for OCTG. (Oil Country Tubular Goods from Argentina, Inv. No. 731-TA-191 (Final), USITC Pub. 1694).

imports from Austria, Romania and Venezuela which are allegedly being sold at less than fair value ("LTFV").[7]

Petitioners argue that the Commission should cumulate imports from Canada, Argentina, Taiwan, Austria, Brazil, Mexico, Romania, Spain and Venezuela. The imports of OCTG from Romania, Venezuela, Brazil, Mexico and Spain are no longer subject to investigation because petitioners have withdrawn their support for investigations against these countries which have entered into VRA's with the United States. Therefore, imports from Romania, Venezuela, Brazil, Mexico and Spain are not proper candidates for cumulation. Consequently, I determine that for the antidumping duty investigation that imports from Argentina, Austria, Canada[8] and Taiwan be cumulated and that for the countervailing duty investigation that imports from Austria, Canada and Taiwan be cumulated.

CAUSATION

As I have stated previously, the decline that the domestic OCTG industry experienced from 1982 to 1983 was the result of a

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[7] Oil Country Tubular Goods from Austria, Romania and Venezuela, Inv. No. 701-TA-240-41 (Preliminary), Inv. No. 731-TA-249-51 (Preliminary), USITC Pub. 1679 (1985).

[8] Canadian respondents argue that because there are differences in geographical markets served, channels of distribution, quality, and price between Canadian and other imported OCTG the element of competition is not satisfied. I was not persuaded that these differences were sufficient to justify such a finding at this stage.

sharp drop in demand for OCTG, and not the result of dumped or subsidized imports.[9] Domestic consumption of OCTG decreased from 4.3 million short tons in 1982 to 1.4 million short tons in 1983, which is a decline of 67 percent, before rebounding to 3.8 million short tons in 1984.[10] The consumption of OCTG is strongly correlated with the level of domestic drilling for oil and natural gas. The level of domestic oil and gas drilling is in turn determined by the world prices of oil and natural gas, state and federal regulations, and the available reserves of oil and natural gas.

Title VII does not allow me to weigh causes in making my determination.[11] The legislative history also makes clear that an industry can be injured by dumped or subsidized imports even if it is suffering from other causes.[12] Nevertheless, I conclude that there is nothing on the record to establish a reasonable indication that cumulated imports of OCTG from

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[9] See, e.g., Oil Country Tubular Goods from Brazil, Korea and Spain, Inv. Nos. 701-TA-215-217 (Final), USITC Pub. 1633 (1985); Oil Country Tubular Goods from Austria, Romania and Venezuela, Inv. Nos. 701-TA-240-241, 731-TA-249-251 (Preliminary), USITC Pub. 1679 (1985); Oil Country Tubular Goods from Argentina and Spain, Inv. Nos. 731-TA-191, 195 (Final), USITC Pub. 1694 (1985).

[10] Report at A-30.

[11] S. Rep. 93-1298, 93rd Cong. 2d Sess. 180; H.R. 96-317, 96th Cong. 1st Sess. 46.

[12] H.R. 96-317, 96th Cong. 1st Sess. 46.

Austria, Argentina, Canada and Taiwan which are allegedly sold in the United States at LTFV are a cause of material injury or threaten to cause material injury to the domestic OCTG industry. Similarly, there is nothing on the record to establish a reasonable indication that cumulated imports of OCTG from Austria, Canada and Taiwan which are allegedly being subsidized are a cause of material injury or threaten to cause material injury to the domestic OCTG industry. Cumulated imports from these four countries, Austria, Argentina, Canada and Taiwan, as a share of domestic consumption increased from 3.9 percent in 1982 to 6.6 percent in 1984, reaching 9.6 percent in interim 1985.[13] Cumulated imports from these three countries as a share of domestic consumption increased from 3.5 percent in 1982 to 6.1 percent in 1984, reaching 9.4 percent in interim 1985.[14] The absolute level of cumulated imports from the four countries was 167 thousand short tons in 1982, 49 thousand short tons in 1983, and 252 thousand short tons in 1984. From interim 1984 to interim 1985 cumulated imports increased from 68 thousand short tons to 119 thousand short tons.[15] For the three countries the absolute level of cumulated imports was 150 thousand short tons in 1982, 33

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[13]Report at A-29, A-30.

[14]Id.

[15]Report at A-29.

thousand short tons in 1983, 232 thousand short tons in 1984. From interim 1984 to 1985 cumulated imports from the three countries increased from 53 to 116 thousand short tons.[16] The absolute level of all imports declined from 2.5 million short tons in 1982 to .7 million short tons in 1983, and then increased to 2.2 million short tons in 1984.[17] Thus, imports have tracked domestic consumption, and do not appear to have been a cause of injury. Total imports were 59.3 percent of domestic consumption in 1982 and 59.4 of domestic consumption in 1984. Similarly, imports accounted for 65.7 percent of domestic consumption in interim 1984 and 64.7 percent of domestic consumption in interim 1985. Therefore, although cumulated imports from the countries under investigation have increased over the period of the investigation, both in volume and as a share of domestic consumption, they have increased at the expense of other imports, and not at the expense of domestically produced OCTG.

In the 1984 Act, Congress codified the economic factors the Commission should consider in making a determination of threat of material injury. These factors relate to capacity, inventories, market penetration and price depression. In addition, the Commission should consider any other relevant

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[16] _Id_.

[17] _Id_.

economic factor.[18] A finding of threat of material injury cannot be based upon mere supposition or conjecture, but must "be based upon evidence showing that the threat is real and imminent."[19] There is nothing on the record to indicate that allegedly dumped imports of OCTG from Austria, Argentina, Canada and Taiwan threaten to cause material injury to the domestic OCTG industry. Similarly, there is nothing on the record to indicate that allegedly subsidized imports of OCTG from Austria, Canada and Taiwan threaten to cause material injury to the domestic OCTG. There are no large aggregations of OCTG from these countries being held in inventory,[20] nor are there any indications that these countries plan to increase significantly their imports of OCTG to the United States. Finally, although VRA's negotiated with the European Community, Finland, South Africa, Spain, Venezuela, Brazil, Korea and Mexico may reduce imports from these countries, and thus may increase demand for OCTG from Austria, Argentina, Canada and Taiwan, there is nothing to suggest that increased imports will come at the expense of United States producers.

Therefore, I determine that the domestic OCTG industry is not materially injured or threatened with material injury by

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[18] 19 U.S.C. §1677(F)(i) (1982 & 1985 Supp.).

[19] 19 U.S.C. §1677 (F)(ii) (1982 & 1985 Supp.).

[20] The ratio of year end inventories to shipments is substantially down in 1984 from 1983. Report, at A-25, A-26.

reason of allegedly dumped imports of OCTG from Argentina, Canada and Taiwan and that the domestic OCTG industry is not materially injured or threatened with material injury by reason of allegedly subsidized imports of OCTG from Canada and Taiwan.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 22, 1985, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Lone Star Steel Company, Dallas, TX, and CF&I Steel Corporation, Pueblo, CO. The petitions allege that an industry in the United States is materially injured and threatened with material injury by reason of imports of oil country tubular goods 1/ that are alleged to be subsidized by the Governments of Canada, and Taiwan and also by imports of that merchandise from Argentina, Canada and Taiwan that are alleged to be sold in the United States at less than fair value (LTFV).

Accordingly, effective July 22, 1985, the Commission instituted investigations Nos. 701-TA-255 and 256 (Preliminary), under section 703 of the Tariff Act of 1930, and investigations Nos. 731-TA-275, 276 and 277 (Preliminary), under section 733 of 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 materially retarded, by reason of imports of such merchandise into the United States.

The statute directs the Commission to make its determinations within 45 days after receipt of petitions for preliminary countervailing duty and antidumping investigations, or in these cases by September 5, 1985. Notice of the institution of the Commission's investigations and of a 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 July 31, 1985 (50 F.R. 31054). 2/ The Commission held a public conference in Washington, DC, on August 9, 1985, at which time all interested parties were allowed to present information and data for consideration by the Commission. 3/ The Commission voted on these investigations at its meeting on August 27, 1985.

Nature and Extent of the Alleged Subsidies 4/

Canada

The petitioners allege that Canadian oil country tubular goods exported to the United States are subsidized by the Canadian Federal and Provincial

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1/ For purposes of these investigations the term "oil country tubular goods" includes drill pipe, casing and tubing for drilling oil or gas wells, of carbon or alloy steel, whether such articles are welded or seamless, whether finished or unfinished, and whether or not meeting American Petroleum Institute (API) specifications, provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States.

2/ A copy of the Commission's Federal Register notice is presented in app. A.

3/ A list of witnesses who appeared at the public conference is presented in app. B.

4/ A summary of previous countervailing duty and antidumping investigations with respect to oil country tubular goods is presented in app. C.

governments through a variety of grant and loan programs. Brief descriptions and estimated amounts of the alleged subsidies, where available, follow:

Industrial and Regional Development Program (IRDP).—Funds are disbursed under this program in the form of grants, loans, and loan guarantees. The level of available benefits is dependent on the region in which the company is located and on a number of subjective criteria, including the nature of the project, the needs of the applicant, and the extent to which the proposed project is consistent with Federal Government objectives with respect to economic growth and international competitiveness. 1/

Department of Regional Industrial Expansion (DRIE) subsidiary agreements.—In addition to assistance through the IRDP, DRIE subsidizes companies or groups of companies located in certain regions of Canada through subsidiary agreements under the authority of the General Development Agreements that the Federal Government has entered into with individual Provincial governments. Benefits under this program allegedly include interest free loans and grants. 2/

The Enterprise Development Program (EDP).—The Canadian Government assists companies by providing loans, loan insurance, and contributions to manufacturers to help fund projects involving the development or enhancement of products or productivity. Loans and loan insurance are available to finance plant expansions and modernization. Grants, generally covering 50 percent of costs, are given to assist companies in studying market feasibility, developing proposals, and implementing productivity improvements and/or product or process innovations. 3/

Promotional Projects Program (PPP).—Under this program, the DRIE organizes trade exhibits and trade missions in export markets and bears the full cost of company participation. 4/

Investment tax credit.—This program enables Canadian manufacturers to take an income tax credit with respect to the acquisition of qualified depreciable property. The rate of credit is 7 percent, 10 percent, or 20 percent, depending on the region. Companies located in certain regions may take a credit of 50 percent of certain investment costs. A similar investment credit of either 10 percent or 20 percent is available with respect to funds invested in research and development. 5/

Community-Based Industrial Adjustment Program (CIAP).—This program is designed to alleviate problems related to high unemployment in designated communities. Through CIAP, the Government provides grants of up to 75 percent of the cost of feasibility studies, cost sharing up to 75 percent of the cost of productivity improvement projects, and interest-free loans of up to 50 percent of the capital costs of eligible projects. 6/

1/ Petition in the Matter of Oil Country Tubular Goods from Canada, volume 2, p. 6-7.
2/ Ibid., p. 7-8.
3/ Ibid., p. 9-10.
4/ Ibid., p. 11.
5/ Ibid., p. 12.
6/ Ibid., p. 12-13.

Provincial benefits.—Canadian producers may benefit from preferential export financing from Provincial sources. Through the Ontario Development Corporation, for example, exporters have access to revolving lines of credit for financing up to 90 percent of the value of export receivables for up to 180 days from the date of shipment. These export-support loans are extended at interest rates 2 percent lower than the Development Corporation's basic interest rate. In addition, Canada's Provincial governments provide grants and other forms of financing, as the Federal Government does, in order to promote certain enterprises or industries. 1/

Taiwan

The petitioners allege that oil country tubular goods imported from Taiwan benefit from direct and indirect subsidies under export programs and also under domestic programs with respect to manufacture, production and exportation. Brief descriptions of the alleged subsidies follow:

Export Programs.—The petitions allege that producers in Taiwan benefit from 3 export programs.

Preferential Export Financing.—Exports receive short-term loans at the prevailing commercial interest rate upon the presentation of a letter of credit from a foreign buyer. The interest rate is lowered to between 0.25 percent to 1.00 percent below the minimum domestic borrowing rate upon approval by the Central Bank of China. 2/

Export Loss Reserve.—Article 31 of the Statute for Encouragement of Investment (SEI) allows firms to set aside a reserve of up to 1 percent of the previous year's exports to be used for compensation of export losses incurred. This provision allows firms to shelter significant amounts of revenue from taxation. 3/

Tax Exemptions for Export Sales.—Article 29 of the SEI exempts sales from the gross business receipts tax and reduces the invoice stamp tax from 0.4 percent to 0.1 percent. 4/

Domestic Subsidies.—The petitioners allege that the producers in Taiwan benefit from 5 domestic subsidies.

Preferential Income Tax Rate Ceilings.—Article 15 of the SEI provides for a 25 percent ceiling on income taxes (including surcharges) for firms qualifying as a productive enterprise or a big trading company. The stated standard tax is 35 percent of taxable income. Article 15 was amended in July 1982 to lower further the ceiling on corporate income taxes in certain important industries by up to 22 percent. 5/

1/ Ibid., p. 13-14.
2/ Petition in the Matter of Oil Country Tubular Goods from Taiwan, Volume 3, p. 2.
3/ Ibid., p. 2-3.
4/ Ibid., p. 3.
5/ Ibid., p. 4-5.

Accelerated Depreciation and Tax Holidays.—Article 6 of the SEI gives preferred firms qualifying as "productive enterprises" the right to accelerate their rates of depreciation. Also under Article 6, productive enterprises can elect a tax holiday of 4 years on increased profits from expansion or a tax holiday of 5 years on new ventures instead of applying for accelerated depreciation rates. 1/

Tax Deductions for Investment in Productive Equipment.—Article 10 of the SEI allows a productive enterprise to deduct 10 to 15 percent of the amount invested in production equipment during a tax year from income tax payable for the year. 2/

Duty Exemptions and Deferral on Imported Equipment.—Article 21 of the SEI allows "productive enterprises" that import machinery or equipment to pay import duties and dues in a series of installments rather than as a lump sum upon importation. Furthermore, an enterprise engaged in industrial, mining or other operations is exempted from import duties on machinery and equipment. 3/

Low-interest Long-Term Loans.—Article 84 of the SEI permits the establishment of a development fund and prescribes the uses to which it may be put. One of the uses is for "financing a technology-intensive and important enterprise which requires the purchase of machinery and equipment for own use but without sufficient capital." 4/

Nature and Extent of the Alleged Sales at LTFV

Argentina 5/

The petitioners allege that virtually all sales of Argentine oil country tubular goods are below the cost of production in Argentina. The petitioners calculate the dumping margins for imports from Argentina to be 114 percent for carbon steel casing, 46 percent for carbon steel tubing, and 77 percent for alloy casing. 6/

Canada

On the basis of comparisons of net U.S. prices with the estimated foreign market value the petitioners allege that oil country tubular goods from Canada

1/ Ibid., p. 5-6.
2/ Ibid., p. 7.
3/ Ibid., p. 7.
4/ Ibid., p. 8-9.
5/ On Mar. 29, 1985, the U.S. Department of Commerce published in the Federal Register (50 F.R. 12595), a final determination that oil country tubular goods from Argentina are being sold in the United States at LTFV margins ranging from 3.94 percent to 130.70 percent, with an overall weighted average margin of 61.70 percent. During the period of its investigation (Jan. to June 30, 1984), Commerce found margins on 100 percent of the sales compared.
6/ Petition in the Matter of Oil Country Tubular Goods from Argentina and Taiwan, Volume 3, p. 8-11.

are being sold in the United States at LTFV margins ranging from 41.9 percent to 129.34 percent. 1/ Where the most comparable article was sold below the cost of production in Canada, the foreign market value was the constructed value based on cost estimates by the petitioners, adjusted for differences in grade. Where the home-market price for the most comparable article was not below the cost of production, foreign-market value used by the petitioners was the home-market price adjusted for differences in grade. 2/

Taiwan

The petitioners allege that virtually all sales of imported oil country tubular goods from Taiwan are below the cost of production in Taiwan. On the basis of the estimated cost of production, the petitioners calculated LTFV margins of 176 percent for carbon steel casing and 214 percent for carbon steel tubing. 3/

The Products

Description and uses

The term "oil country tubular goods" refers to casing, tubing, and drill pipe for use in drilling oil and gas wells and for transporting oil and gas to the surface.

Casing is used in the drill hole to provide a firm foundation for the drill string 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 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 to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. The casing must be sufficiently strong 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 is used for larger wells.

Tubing is used within the casing to conduct the oil or gas from the subsurface strata to the surface, either through natural flow or through pumping. Casing is often substituted for tubing in high-volume wells. 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 drill string.

Drill pipe is used to transmit power from ground level to below the surface in order to rotate the bit, and it is also used to conduct drilling fluid (mud) down to the bit to flush drill cuttings to the surface, where they can be removed. Drill pipe must have sufficient tensile strength to support its own weight and that of drill collars and the drill bit. Argentina exported approximately 905 short tons of drill pipe to the United States in 1984.

1/ Petition in the Matter of Oil Country Tubular Goods from Argentina and Taiwan, volume 2, p. 4.

2/ Ibid., p. 5.

3/ Petition in the Matter of Oil Country Tubular Goods from Argentina and Taiwan, Volume 3, p. 8-11.

During 1984, according to data received in response to Commission questionnaires, casing accounted for 79.9 percent of U.S. producers' shipments (on a tonnage basis), tubing accounted for 18.2 percent, and drill pipe for 0.3 percent. Other tubes (including green tubes 1/) accounted for 1.6 percent of U.S. producers' shipments.

Oil country tubular goods are generally produced according to standards and specifications established by the American Petroleum Institute. The API is a trade organization involved in writing basic minimum design standards for materials used in the oil and gas industries to ensure safety, reliability, and interchangeability of parts. The API has been instrumental in standardizing dimensions and properties in oil country tubular goods specifications for casing, tubing, and drill pipe (API STD 5A), high-strength casing, tubing, and drill pipe (API STD 5AX), and casing and tubing with restricted yield strengths (API STD 5AC). These standards, which are sometimes used by the Government as Federal standards, were adopted by API after careful research and industry consensus. They offer oil country tubular goods purchasers a guide for selecting products with proper outside diameters, wall thicknesses, and steel grades to perform under nearly every combination of stresses. The vast majority of oil country tubular goods in use today meet API specifications for such articles. However, there are articles for use in specialized applications that do not carry an API rating only because these oil country tubular goods have not been sufficiently used or tested for API to write standards for this equipment. Firms also produce goods to their own proprietary specifications, and these products compete with products made to API specifications. Other non-API and nonproprietary material may be used in shallow wells and under drilling conditions where high-strength and high-quality pipe are not required. Oil country tubular goods are inspected and tested at various stages in the production process to ensure strict conformity to API or proprietary specifications.

Oil country tubular goods are of either seamless or welded construction and can be produced from various grades of steel. Most oil country tubular goods are of carbon steel. In 1984 slightly more than half of all casing and tubing and virtually all drill pipe produced in the United States were of seamless construction.

Eleven producers, which accounted for 84 percent of total shipments in 1984, provided information concerning their shipments of API and non-API oil country tubular goods. According to this information, 84 percent of total shipments conformed to API specifications, 7 percent were low-grade, limited-service products, and 6 percent were high-grade products made to proprietary specifications.

According to questionnaire responses, all of the reported imports of oil country tubular goods from Argentina conformed to API specifications. 2/

1/ An unfinished seamless hollow steel product with not more than 0.30 and 1.40 percent content of carbon and manganese, respectively, as defined by TCA. There are no allegations regarding imports of green tubes as defined by TCA in these investigations and the issue will not be discussed further in this report.

2/ The responses from importers received by the Commission accounted for 67 percent of total imports from Argentina.

Seamless oil country tubular goods are produced by forming a central cavity in solid steel stock. The central cavity may be formed either through the rotary piercing and rolling process or through extrusion. Most seamless oil country tubular goods are produced through the rotary piercing method, the more traditional method for producing such material. Rotary piercing is described by the American Iron and Steel Institute (AISI) in its publication, Steel Products Manual: Steel Specialty Tubular Products, as follows:

> Rotary Piercing and Rolling operations produce the great bulk of seamless steel tubular products. A conditioned steel round of proper grade, diameter and weight is heated to a suitable forging temperature and rotary pierced in one of several available types of mills which work the steel and cause it to flow helically over and around a so-called piercer-point yielding a seamless hollow billet. This billet is then roller elongated either in a succession of plug mills or in one of several mandrel mills. Finally the elongated steel is sized by further rolling without internal support in one or more of the sizing mills. . . the tension mill stretches the material between stands and actually makes wall reduction possible; the rotary sizing mill frequently is used in conjunction with one of the other mills to make final precision sizing of the outside diameter.

The extrusion process is described in the same AISI publication as follows:

> Extrusion process also starts with a conditioned steel round of desired grade, diameter and weight. This billet may be cold drilled and hot expanded, or hot punched-pierced either separately or in the extrusion process. The drilled or punched billets are hot extruded by axially forcing the material through a die and over a mandrel.

Welded oil country tubular goods are formed by passing flat-rolled products through a series of forming rollers that form the products into cylindrical shapes to be seam welded. The most commonly used process for welding oil country tubular goods is electric resistance welding (ERW), in which the cylinder edges are heated to a very high temperature with an electric resistance welder and are forced together under pressure exerted by rolls. After welding, the tube is then treated to make the molecular structure of the weld identical to that of the rest of the tube. Although most of the welded oil country tubular goods are electric resistance welded, some large-diameter (over 24 inches) material, which is used in offshore drilling is submerged arc welded. Under this process, the cylinder edges are connected using molten metal from a welding rod. Regardless of welding process, the wall thicknesses of all welded oil country tubular goods are uniform, whereas the wall thicknesses of seamless oil country tubular goods are less uniform.

Seamless and welded oil country tubular goods are used interchangeably in several applications. API specifications for most grades of casing and tubing specify that either seamless or welded pipe is acceptable. Exceptions include drill pipe and extremely thick casings, which API specifies must be seamless. According to responses to Commission questionnaires in investigations Nos. 701-TA-215-217 (Final), completed by 16 purchasers of oil country tubular goods, on the average 48 percent of the product they purchase is of seamless construction. The remainder may be of either welded or seamless construction. These purchasers accounted for approximately 25 percent of apparent U.S. consumption of oil country tubular goods during January-September 1984.

The ends of almost all oil country tubing are processed through an operation known as upset ending. Upset ending is a forging process under which the end of the tubing is flared and thickened by heating and forcing it through a die and over a mandrel. This process adds tensile strength to the tubing walls, thereby compensating for the tensile strength that is lost when the material is threaded. Other finishing operations for oil country tubular goods may include quenching and tempering (heat treating) to raise minimum yield strength and hardness (typically for high-strength casing), threading, and application of a rust-preventative coating.

U.S. tariff treatment

The imported oil country tubular goods that are the subject of these investigations are classified under items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the TSUS. The rates of duty for imports of oil country tubular goods from countries afforded most-favored-nation (MFN) treatment (col. 1 duty rates), 1/ from least developed developing countries (LDDC's) (representing the 1987 rates), and designated Communist countries (col. 2 rates) 2/ are presented in table 1.

These articles are not eligible for duty-free entry under the Generalized System of Preferences (GSP); they are eligible for such treatment if they are a product of a beneficiary country under the Caribbean Basin Economic Recovery Act (CBERA).

1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, such rates do not apply to products of developing countries where such articles are eligible for preferential tariff treatment provided under the Generalized System of Preferences (GSP) or the CBERA, or under the LDDC rate of duty column.

2/ Col. 2 rates of duty apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Table 1.--Oil country tubular goods: U.S. rates of duty as of Jan. 1, 1981, Jan. 1, 1985, and Jan. 1, 1987

(Cents per pound; percent ad valorem)

TSUS item No.	Oil country tubular goods covered	Rate of duty: Col. 1: Jan. 1, 1981	Jan. 1, 1985	Jan. 1, 1987	Col. 2
	Pipes and tubes and blanks therefor of iron (except cast iron) or steel:				
	Welded, jointed or seamed, with walls not thinner than 0.065 inch and of circular cross section:				
610.32	0.375 inch or more in outside diameter, other than alloy steel	0.3¢	1.9%	1.9%	5.5%
610.37	0.375 inch or more in outside diameter, of alloy iron or steel	4.9% 1/	4.9% 1/	4.9% 1/	10% 1/
	Other:				
	Steel pipe conforming to A.P.I. specifications for oil well casing whether welded or seamless having a wall thickness not less than 0.156 inch:				
	Not threaded and not otherwise advanced:				
610.39	Other than alloy steel	0.1¢	0.5%	0.5%	1%
610.40	Alloy steel	0.1¢ +4% 1/	3.6% 1/	3.3% 1/	8.5% 1/
	Threaded or otherwise advanced:				
610.42	Other than alloy steel	7.5%	6.5%	6%	20%
610.43	Alloy steel	11% 1/	7.8% 1/	6.2% 1/	28% 1/
	Other:				
	Not suitable for use in the manufacture of ball or roller bearings:				
610.49	Other than alloy iron or steel, except hollow bars	10.5%	8.8%	8%	25%
610.52	Alloy iron or steel, except hollow bars	13% 1/	9.3% 1/	7.5% 1/	35% 1/

1/ Additional duties are assessed on imports under this item depending on the content of chromium, molybdenum, tungsten, and vanadium, as provided for in headnote 4, schedule 6, part 2, subpart B of the TSUS.

Source: Tariff Schedules of the United States.

U.S. Producers

There are 22 firms that are known to have produced oil country tubular goods in the United States. The largest producers, with the exception of Maverick Tube Corp., are integrated steel companies, Lone Star Steel Co., LTV Steel Corp., and U.S. Steel Corp., as shown in the following tabulation (in percent):

Firm and plant locations	Share of U.S. producers' shipments, 1984
Lone Star Steel Co	***
Fort Collins, CO	
Lone Star, TX	
LTV Steel Corp.	***
Aliquipa, PA	
Indiana Harbor, IN	
Youngstown, OH	
Maverick Tube Corp.	***
St. Louis, MO	
Union, MO	
U.S. Steel Corp	***
Duquesne, PA	
Fairfield, AL	
Gary, IN	
Lorain, OH	
Subtotal	***
Other firms	***
Total	100

National Pipe & Tube Co., Bethlehem Steel Corp., and Quanex Corp. ceased producing oil country tubular goods in December 1982, March 1983, and October 1984, respectively. These firms together accounted for *** percent of U.S. producers' shipments in 1981. Two other firms, Maverick Tube Corp. and Central Steel Tube Co., which accounted for *** percent of U.S. producers' shipments in 1981, have filed for reorganization under the provisions of the bankruptcy laws. Maverick Tube Corp. increased its share of U.S. producers' shipments to *** percent in 1984. Lone Star temporarily shut down its facility in March 1985, and Wheeling-Pittsburgh Steel filed for reorganization under the provisions of the bankruptcy laws on April 15, 1985.

U.S. Importers

There are dozens of firms that import oil country tubular goods into the United States. In general, two types of concerns—independent trading companies and U.S. subsidiaries of foreign producers—import the product. Importers frequently act as distributors, warehousing the product and filling orders from inventory.

Questionnaire responses were received from three importers that accounted for 67 percent of total imports of oil country tubular goods from Argentina, four firms that accounted for 64 percent of the imports from Canada, and two firms that accounted for slightly less than *** of the imports from Taiwan in 1984. The vast majority of U.S. imports of oil country tubular goods from Argentina entered through Houston, TX; whereas *** of the imports from Taiwan entered through Houston and *** entered through New Orleans. Most of the imports from Canada entered through Detroit, MI, as shown in table 2.

Table 2.—Oil country tubular goods: Distribution of U.S. imports from Argentina, Canada, and Taiwan, by customs districts, 1984

(In percent)

Customs district	Argentina	Canada	Taiwan
Houston, TX	98	1/	22
New Orleans, LA	1	0	22
Detroit, MI	0	57	0
All other	1	2/ 43	3/ 56
Total	100	100	100

1/ Less than 0.05 percent.
2/ 22 percent of the imports from Canada entered through the port of Buffalo, NY and 16 percent entered through the port of Great Falls, MT.
3/ 18 percent of the imports from Taiwan entered through Philadelphia, PA, 14 percent entered through Tampa, and 8 percent entered through Los Angeles.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Imports from Austria in 1984 entered through the port of Houston, TX, except for 78 tons which entered through New York City.

The U.S. Market

Apparent U.S. consumption

The United States accounts for an estimated 65 percent of worldwide consumption of oil country tubular goods. Apparent U.S. consumption dropped from 4.3 million tons 1/ in 1982 to 1.4 million tons in 1983, representing a decrease of 67 percent. Apparent consumption subsequently increased by 170

1/ Unless otherwise noted, the term "ton" refers to a short ton (2,000 pounds).

percent in 1984 compared with the level of consumption in 1983. Apparent U.S consumption is presented in the following tabulation (in thousands of tons):

	Apparent consumption
1982	4,260
1983	1,396
1984	3,764
January-May:	
1984	1/ 1,223
1985	1/ 1,226

1/ Understated. Not all producers responded to the Commission's questionnaires.

Throughout 1981, market analysts were projecting higher and higher levels of oil and gas well drilling; thus, distributors of oil country tubular goods bought all the product they could in order to be able to supply the anticipated demand. A large portion of U.S. producers' shipments and imports of oil country tubular goods were not actually used in oil and gas well drilling in 1981. Instead, these shipments and imports were held in inventory by the distributors. By yearend 1981, the level of inventories held by distributors was more than 70 percent higher than the level held at the beginning of the year. 1/

By late 1981, however, it became apparent that demand for oil and gas was not going to increase as anticipated and, as a consequence, exploration for oil and gas dropped sharply. The level of drilling dropped to such an extent and distributors' inventories had grown so large that producers' inventories of oil country tubular goods continued to increase in 1982. In 1983, distributors of oil country tubular goods began to draw down their inventories and, producers' inventories also decreased. Thus, in 1983, although drilling activity was higher than in 1982, U.S. producers' shipments and imports decreased as distributors supplied more of consumption from inventory. In 1984, it appears that distributors' and producers' inventories had been worked off as both domestic shipments and imports increased considerably (table 3).

Estimated consumption of oil country tubular goods (U. S. producers' beginning inventory, plus imports, plus domestic shipments, less ending inventories) decreased from 4.1 million tons in 1982 to 1.6 million tons in 1983, or by 61 percent. Estimated consumption then increased by 131 percent to 3.7 million tons in 1984. The trend in estimated consumption followed the trend in the level of U.S. oil and gas drilling fairly closely.

The majority of oil country tubular goods produced in and imported by the United States from Argentina and Canada were either the J-55 or K-55 grade of steel. These two grades are used in shallow wells and in the shallower portion of deep wells. The bulk of the imports from Taiwan reported by responding importers were not of those grades. The approximate distribution

1/ Information on distributors was obtained in investigations Nos. 701-TA-215 through 217 (Final).

Table 3.—Oil country tubular goods: U.S. producers' inventories, imports, domestic shipments, and estimated actual consumption, 1982-84, January-May 1984, and January-May 1985

(In thousands of tons)

Item	1982	1983	1984	January-May— 1984	1985
Beginning inventory	260	390	185	185	240
Imports from—					
Argentina	17	16	20	15	3
Canada	80	29	163	45	79
Taiwan	4	1	13	1	5
Subtotal	101	46	196	61	87
Austria	66	15	56	7	32
All other countries	2,360	600	1,987	736	674
Total imports	2,527	661	2,239	804	793
U.S. producers' domestic shipments	1,743	735	1,529	323	295
Ending inventory	390	185	250	240	219
Estimated actual consumption	4,130	1,601	3,703	1/	1,109

1/ Data are not available.

Source: Inventories and U.S. producers' domestic shipments for 1982-84, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission during investigations Nos. 731-TA-191 and 195 (Final); partial year 1984-85 data were submitted in response to questionnaires of the U.S. International Trade Commission during these current investigations; imports, compiled from official statistics of the U.S. Department of Commerce.

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

of U.S.-produced and Argentine, Canadian, and Taiwan oil well casing shipped during 1984, by grades, is presented in the following tabulation, in percent:

Steel grade	U.S. producers	Argentina	Canada	Taiwan
J-55	34	0	45	***
K-55	34	68	23	***
Subtotal	68	68	68	***
All other	32	32	32	***
Total	100	100	100	100

Shallow wells are those that are 5,000 feet or less in depth. 1/ Information on the depth of oil and gas wells is collected by the Oil and Gas Journal. 2/ This information shows that the average depth of the wells drilled in the United States varied somewhat during 1981-84, as shown in the following tabulation (in feet):

	Average depth
1981	4,547
1982	4,557
1983	4,211
1984	4,268

U.S. oil drilling and hence, U.S. consumption of oil country tubular goods, is concentrated in Texas, Oklahoma, and Louisiana. According to Hughes Tool Co., a producer of oil-drilling equipment and supplies that gathers information on the number of oil-drilling rigs worldwide, these three States accounted for 60 percent of total active rigs in the United States in December 1984, as shown in the following tabulation (in percent):

	Share of active rigs nationwide
Texas	35
Oklahoma	13
Louisiana	12
Subtotal	60
Kansas	5
Wyoming	5
California	4
New Mexico	3
All other	23
Total	100

Oil country tubular goods are sold by domestic mills either directly to the end users in the oil-drilling industry (12 percent of total sales) or to distributors (88 percent of total sales), which in turn sell the pipes to the end users. Distributors are middlemen that buy large quantities of oil country tubular goods, typically at discount prices, warehouse the product, and sell smaller quantities to end users. The distributor typically buys either unfinished or finished oil country tubular goods from the mill and finishes the product, if necessary, before selling it. The finishing operations performed by distributors include threading, upsetting, testing, and cutting the material to length. 3/

1/ Posthearing brief of the petitioners in investigations Nos. 701-TA-215-217 (Final), exhibit E, LTV Steels Tubular Division Response, p. 4.
2/ Oil and Gas Journal, Nov. 12, 1984.
3/ Information obtained in investigations Nos. 701-TA-215 through 217 (Final).

Drilling rigs abroad

Home-market demand for oil country tubular goods in the countries subject to these investigations is dependent upon the level of their drilling for oil and gas. Information on the level of drilling in Argentina, as measured by the number of active rigs, is presented in the following tabulation based on data supplied by Hughes Tool Co. as published in the Oil & Gas Journal.

As of Dec.	Argentina
1982	70
1983	73
1984	75

Data are not available on active rigs in Canada or Taiwan.

Consideration of Alleged Material Injury to an Industry in the United States

The information presented in this section of the report was obtained from responses to questionnaires of the U.S. International Trade Commission. 1/ Producers accounting for more than 90 percent of production of oil country tubular goods in 1984 responded to the questionnaire. Some firms were unable to complete all sections of the questionnaire.

Data in this section are for all oil country tubular goods, including drill pipe, which accounted for less than 3 percent of U.S. producers' shipments during 1984. Should drill pipe be excluded from these data, the trends in capacity, production, shipments, inventories, employment, and financial experience would be the same.

The domestic industry asserts that seamless and welded oil country tubular goods are one like product. They state that in 98 percent of the applications, API specifications state that either the seamless or welded product is acceptable. They state that the prices of high-quality welded products are the same as the prices of comparable seamless products and that customers make no distinction between the seamless and welded product. In addition, the industry asserts that U.S. producers of seamless oil country tubular goods make significant sales of low-grade oil country tubular goods, which "compete in the same market in which low grade welded [imported product] is sold." 2/

1/ Data for 1982-84 were compiled from data submitted in response to questionnaires of the U.S. International Trade Commission during investigations Nos. 731-TA-191 and 195 (Final); partial year 1984 and 1985 data were compiled from data submitted in response to questionnaires of the U.S. International Trade Commission during these current investigations.

2/ Posthearing brief of the petitioners in investigations Nos. 701-TA-215-217 (Final), pp. 2-4.

Counsel for the foreign producers in prior investigations on oil country tubular goods have argued that the Commission has always found that seamless and welded pipes and tubes were distinct like products. 1/ The welded product, they state, is potentially weaker than the seamless product. In addition, seamless and welded oil country tubular goods are produced and finished by different processes. As a consequence, according to counsel for the foreign producers, the seamless product is used in certain special applications, such as drill pipe, offshore drilling, and deep wells; whereas welded oil country tubular goods are used in shallow wells. Another indication that seamless and welded oil country tubular goods are two distinct like products, according to counsel, is the difference in prices: the prices of seamless oil country tubular goods are higher than the prices of welded oil country tubular goods.

On the basis of selling-price data of oil country tubular goods obtained by the Commission in its questionnaires, the full body normalized oil country tubular goods (a high quality welded product) sold at price levels comparable to the seamless oil country tubular goods. Reported selling prices of the seam-annealed welded oil country tubular goods, however, were significantly less than prices of the seamless or full-body normalized oil country tubular goods. The reported price data are shown in appendix D and discussed in the price section of this report.

U.S. producers' capacity, production and capacity utilization

U.S. producers' capacity to produce oil country tubular goods remained steady at around 5.1 to 5.2 million tons during the period 1982 to 1984 (table 4).

1/ The arguments regarding the distinction between seamless and welded oil country tubular goods can be found in the posthearing brief of the Korea Iron & Steel Association, p. 4, the posthearing brief of Confab and Persico, p. 2, and the posthearing brief of Mannesmann, pp. 1-7, in investigations Nos. 701-TA-215-217 (Final).

Table 4.—Oil country tubular goods: U.S. production, capacity, and capacity utilization, 1982-84, January-May 1984, and January-May 1985

Period	Production	Capacity	Capacity utilization
	1,000 tons		Percent
1982	1,864	5,145	36
1983	543	5,177	10
1984	1,644	5,087	32
January-May—			
1984	608	1/ 2,566	2/ 24
1985	530	1/ 2,748	2/ 19

1/*** did not provide capacity data for January-May 1984-85.
2/ Excludes ***.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

In 1981, several firms initiated programs to expand their capacity to produce oil country tubular goods. Many firms either abandoned or delayed their planned expansions in 1982 and 1983, when their shipments of oil country tubular goods plummeted and they drastically cut back production.

U.S. production of oil country tubular goods decreased dramatically from 1.9 million tons in 1982 to 543,000 tons in 1983, or by 71 percent. Production then increased in 1984 by 203 percent compared with the level of production in 1983 but remained 11.8 percent below production in 1982.

With the decrease in production, utilization of productive capacity devoted to the production of oil country tubular goods fell from 36 percent in 1982 to 10 percent in 1983; it then increased to 32 percent in 1984. Most U.S. producers reported that their U.S. oil country tubular goods production facilities were closed for a portion of the period, 1982 through 1984.

U.S. producers' shipments

U.S. producers' shipments of oil country tubular goods followed the same trend as production (table 5). Total shipments decreased by 59 percent from 1982 to 1983 and then increased by 105 percent in 1984. Exports accounted for less than 1 percent of total shipments during 1984.

Table 5.—Oil country tubular goods: U.S. producers' shipments, 1982-84, January-May 1984, and January-May 1985

(In thousands of tons)

Period	Domestic shipments	Export shipments	Total
1982	1,743	66	1,809
1983	735	13	748
1984	1,529	8	1,537
January-May:			
1984	419	4	423
1985	433	5	438

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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

U.S. producers' inventories

U.S. producers' yearend inventories of oil country tubular goods were equivalent to 22 percent of total annual shipments in 1982 (table 6). Inventories increased to 25 percent of shipments in 1983 and then decreased to 16 percent in 1984.

Table 6.—Oil country tubular goods: U.S. producers' inventories and shipments, 1982-84, January-May 1984, and January-May 1985

Period	Inventories	Shipments	Ratio of inventories to shipments
	1,000 tons		Percent
1982	390	1,809	22
1983	185	748	25
1984	250	1,537	16
January-May:			
1984	240	423	57
1985	219	438	50

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Employment

The number of workers engaged in the production of oil country tubular goods decreased from 13,125 in 1982 to 4,036 in 1983, or by 69 percent, and then increased by 90 percent in 1984 (table 7). The producers reported that all of the decrease in employment in 1983 can be attributed to lack of orders. Most of these workers belong to the United Steelworkers of America. Their total compensation decreased by 11 percent from $19.95 per hour in 1982 to $17.79 per hour in 1984. This decrease can be attributed to wage concessions negotiated between the unions and the employers.

Table 7.—Average number of production and related workers engaged in the manufacture of oil country tubular goods, hours worked by such workers, wages paid, and total compensation, 1982-84, January-May 1984, and January-May 1985

Period	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	Per hour	
1982	13,125	24,233	$13.64	$19.95
1983	4,036	7,058	12.85	19.58
1984	7,659	14,295	13.08	17.79
January-May:				
1984	5,471	4,661	12.98	13.77
1985	6,993	6,016	14.09	20.02

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Income-and-loss experience of U.S. producers

Seventeen firms supplied usable income-and-loss data concerning their overall establishment operations and their operations producing oil country goods tubular during 1982-84. These 17 firms accounted for about 93 percent of all U.S. shipments of oil country goods in 1984. Income-and-loss data for the interim periods ended March 31, 1984 and 1985 were supplied by 10 of these firms.

Overall establishment operations.—Net sales of all products produced in the establishments within which oil country goods are produced plunged from $4.5 billion to $2.6 billion, or by 43 percent, from 1982 to 1983. (table 8). Net sales rose 19 percent to $3.0 billion in 1984. Net sales were $406

Table 8.—Income-and-loss experience of 17 U.S. producers on the overall operations of their establishments within which oil country tubular goods are produced, accounting years 1982-84, interim 1984, and interim 1985

Item	1982	1983	1984	Interim period ended March 31 1/	
				1984	1985
Net sales————1,000 dollars——	4,505,977	2,569,378	3,047,099	338.907	406,269
Cost of goods sold————do——	4,227,624	2,932,695	3,138,592	338,451	417,042
Gross income or (loss)——do——	278,353	(363,317)	(91,493)	456	(10,773)
General, selling, and administrative expenses————do——	246,980	184,008	148,734	27,714	22,093
Operating income or (loss) 1,000 dollars——	31,373	(547,325)	(240,227)	(27,258)	(32,866)
Depreciation and amortization 2/———1,000 dollars——	167,716	143,733	114,595	16,691	21,737
Cash flow from operations———— 1,000 dollars——	199,089	(403,592)	(125,632)	(10,567)	(11,129)
Ratio to net sales:					
Gross income or (loss) percent——	6.2	(14.1)	(3.0)	0.1	(2.7)
Operating income or (loss) percent——	0.7	(21.3)	(7.9)	(8.1)	(8.1)
Cost of goods sold———do——	93.8	114.1	103.0	99.9	102.7
General, selling, and administrative expenses percent——	5.5	7.2	4.9	8.2	5.4
Number of firms reporting operating losses————	9	13	9	5	5

1/ Interim data are for 10 firms.
2/ Fifteen firms furnished depreciation and amortization data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

million during the interim period ended March 31, 1985, compared with net sales of $339 million during the corresponding period of 1984. The 17 reporting firms earned an operating income of $31.4 million, or 0.7 percent of net sales, in 1982. In 1983 and 1984, they sustained operating losses of $547 million, 21.3 percent of net sales, and $240 million, or 7.9 percent of net sales, respectively. Ten firms reported an operating loss of $32.9 million, or 8.1 percent of net sales, during the 1985 interim period, compared with an operating loss of $27.3 million, or 8.1 percent of net sales, during the corresponding period of 1984.

Oil country tubular goods.—The income-and-loss experience of the 17 U.S. producers on their operations producing oil country tubular goods is presented in table 9. Net sales plunged from $2.4 billion in 1982 to $508 million in 1983, representing a decline of 79 pecent. Net sales rose 131 percent to $1.2 billion in 1984. Net sales were $272 million during interim 1985, compared with net sales of $195 million during the corresponding period of 1984. 1/

In 1982, the 17 reporting producers earned an operating income of $336 million, or 13.9 percent of net sales. In 1983 and 1984, they sustained operating losses of $303 million, or 59.6 percent of net sales, and $160 million, or 13.6 percent of net sales, respectively. Ten firms reported an operating loss of $33.9 million, or 12.4 percent of net sales during the interim period ended March 31, 1985, compared with an operating loss of $17.0 million, or 8.7 percent of net sales during the corresponding period of 1984. Seven firms sustained operating losses in 1982, 14 firms sustained such losses in 1983, as did 8 in 1984. Seven firms sustained operating losses during interim 1985, compared with 5 firms during the corresponding period of 1984.

Operations on oil well drill pipes.—Income-and-loss data on their operations producing oil well drill pipes were submitted by *** firms (table 10). These producers net sales of oil well drill pipes plummeted annually from *** to ***, or ***, during 1982-84. The *** reporting firms earned an operating income of *** million, or *** percent of net sales, in 1982. In 1983 and 1984, they sustained operating losses of ***, or *** percent of net sales, and ***, or *** percent of net sales, respectively.

1/ Ten firms reporting.

Table 9.—Income-and-loss experience of 17 U.S. producers on their operations producing oil country tubular goods, accounting years 1982-84, interim 1984, and interim 1985 1/

Item	1982	1983	1984	Interim period ended Mar. 31 2/	
				1984	1985
Net sales————1,000 dollars—	2,420,458	507,538	1,173,221	195,382	271,577
Cost of goods sold————do——	1,959,726	741,163	1,261,445	194,337	287,964
Gross income or (loss)——do——	460,732	(223,625)	(88,224)	1,045	(16,387)
General, selling, and administrative expenses 1,000 dollars—	124,991	68,906	71,542	18,086	17,479
Operating income or (loss) 1,000 dollars—	335,741	(302,531)	(159,766)	(17,041)	(33,866)
Depreciation and amortization 3/———1,000 dollars—	47,812	42,047	41,407	10,100	15,840
Cash flow from operations——— 1,000 dollars—	383,553	(260,484)	(118,359)	(6,941)	(18,026)
Ratio to net sales:					
Gross income or (loss) percent—	19.0	(46.0)	(7.5)	0.5	(6.0)
Operating income or (loss) percent—	13.9	(59.6)	(13.6)	(8.7)	(12.4)
Cost of goods sold———do———	81.0	146.0	107.5	99.5	106.0
General, selling, and administrative expenses percent—	5.1	13.6	6.1	9.2	6.4
Number of firms reporting operating losses——————	7	14	8	5	7

1/ The data presented for 1982-84 differ somewhat from that reported for the Commissions' investigations Nos. 731-TA-191 and 195 (Final). In those investigations, ***. For these investigations, ***.

2/ Interim data are for 10 firms.

3/ Fourteen firms furnished depreciation and amortization data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Interim data on its oil-well drill pipe operations was reported by ***. *** reported *** for the interim period ended March 31, 1985, compared with *** for the corresponding period of 1984.

Table 10.--Income-and-loss experience of *** U.S. producers on their operations producing oil well drill pipe goods, accounting years 1982-84, interim 1984, and interim 1985 1/

Item	1982	1983	1984	Interim period ended March 31 2/	
				1984	1985
Net sales----------1,000 dollars--	***	***	***	***	***
Cost of goods sold----------do------	***	***	***	***	***
Gross income or (loss)-----do------	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Operating income or (loss) 1,000 dollars--	***	***	***	***	***
Depreciation and amortization 3/------1,000 dollars--	***	***	***	***	***
Cash flow from operations-------- 1,000 dollars--	***	***	***	***	***
Ratio to net sales:					
Gross income or (loss) percent--	***	***	***	***	***
Operating income or (loss) percent--	***	***	***	***	***
Cost of goods sold--------do------	***	***	***	***	***
General, selling, and administrative expenses percent--	***	***	***	***	***
Number of firms reporting operating losses-------------	***	***	***	***	***

1/ The data presented for 1982-84 differ somewhat from that reported for the Commissions' investigations Nos. 731-TA-191 and 195. In those investigations, *** . For these investigations, *** .

2/ *** reported data for the interim periods.

3/ *** furnished depreciation and amortization data.

Source: Compiled from data submitted in response to questionnaire of the U.S. International Trade Commission.

Capital expenditures.—Data wre supplied by nine firms on their investment in productive facilities employed in the production of oil country tubular goods (table 12). In 1982, following a year of record sales, several U.S. producers of oil country tubular goods completed expansion programs that increased their capacity to produce oil country tubular goods. As a result, capital expenditures were $91 million in 1982 (table 11). In 1983, such expenditures plunged to $23.4 million, and in 1984 they declined further to $18.9 million.

Table 11.—Oil country tubular goods: U.S. producers' capital expenditures, 1/ 1982-84

(In thousands of dollars)

Item	1982	1983	1984
Land and land improvements	1,833	36	115
Buildings and leasehold improvements	2,162	370	295
Machinery, equipment, and fixtures	87,130	23,036	18,458
Total	91,125	23,442	18,868

1/ Data are for 9 firms.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Investment in productive facilities.—Data were supplied by ten firms on their investment in productive facilities employed in the production of oil country tubular goods. As shown in table 12, their aggregate investment in facilities employed in the production of oil country tubular goods, valued at cost, remained rather stable during 1982-84, ranging from a low of $831 million as of the end of 1983 to a high of $837 million as of the end of 1984. The book value of such facilities declined annually from $541 million as of the end of 1982 to $481 million as of the end of 1984.

Table 12.—Oil country tubular goods: U.S. producers' end-of-period valuation of fixed assets, 1/ 1982-84

(In thousands of dollars)

Item	1982	1983	1984
Original cost	834,628	831,436	837,494
Book value	541,086	498,154	481,345

1/ Data are for 10 firms.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Research and development expenses.—There were *** firms that supplied data concerning their research and development expenses incurred in the production of oil country tubular goods. Such expenditures *** from *** in 1982 to *** in 1984, as shown in the following tabulation (in thousands of dollars):

	Value
1982	***
1983	***
1984	***

The Question of the Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of the foreign producers to generate exports (including the availability of export markets other than the United States).

U.S. importers inventories

U.S. importers that submitted data in response to the Commission's questionnaires reported that their yearend inventories as a share of their U.S. shipments of Argentine oil country tubular goods were *** percent in 1982, ***percent in 1983, and *** percent in 1984. For Canada, yearend inventories as a share of shipments were 15 percent in 1982, 47 percent in 1983, and 29 percent in 1984 (Table 13). Importers of the products from Taiwan ***.

The foreign industries and their capacity to generate exports

Argentina.—One Argentine firm, Dalmine Siderca, accounted for *** percent of Argentina's exports of oil country tubular goods to the United States during 1982-84. The firm operates a seamless oil country tubular goods mill that, according to counsel, operated at *** percent or more of its capacity during 1982-83 and at almost *** percent in 1984. Dalmine's exports to the United States, according to data presented by counsel, increased from *** in 1982 to *** in 1984 (table 14). The U.S. market accounted for approximately *** of Dalmine's total exports of oil country tubular goods in 1982 and more than *** during 1983-84.

Table 13.—Oil country tubular goods: U.S. importers' end-of-period inventories and shipments of the product imported from Argentina and Canada, 1982-84, January-May 1984, and January-May 1985

Item	1982	1983	1984	January-May— 1984	January-May— 1985
Argentina: 1/					
Inventories—tons—	***	***	***	2/	2/
Shipments—do—	***	***	***	2/	2/
Ratio of inventories to shipments—percent—	***	***	***	2/	2/
Canada:					
Inventories—tons—	8,464	12,210	26,557	18,014	30,546
Shipments—do—	55,647	26,014	91,486	36,765	46,642
Ratio of inventories to shipments—percent—	15	47	29	49	65

1/ ***
2/ Data are not available.

Source: Compiled from data submitted in response to questionnaires and telephone inquiries of the U.S. International Trade Commission.

Table 14.—Oil country tubular goods: Dalmine Siderca's exports to principal markets, 1982-84

Item	1982	1983	1984
Exports to—			
United States—1,000 tons—	***	***	***
China—do—	***	***	***
Latin America—do—	***	***	***
U.S.S.R—do—	***	***	***
All other—do—	***	***	***
Total—do—	***	***	***
Exports to United States as a share of total exports—percent—	***	***	***

Source: Derived from data submitted by counsel for Dalmine Siderca.

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

Canada.—Production of oil country tubular goods in Canada by Stelco, Inc., Algoma Steel Co., and Sonco, Inc. declined from *** in 1982 to *** in 1983 (or by ***) then increased in 1984 to *** or by *** from production in 1982. Home market shipments by producers in Canada accounted for *** of production in 1982, *** in 1983, *** in 1984 and *** in January-June 1985. Exports to the United States accounted for *** of total exports in 1982, *** in 1983, *** in 1984, and *** in January-June 1985 (table 15).

Taiwan.—Production of oil country tubular goods in Taiwan, as reported by counsel for Far East Machinery Co., Ltd., amounted to *** in 1982, *** in 1983, then *** in 1984. Production during January-June 1984 amounted to ***. The company operated at *** of capacity in 1982 and at *** of capacity in 1984. As shown in table 16, the company reported *** domestic shipments; ***.

Table 15.—Oil country tubular goods: Industry and trade data for Canada, 1982-84 and January-June 1985

Item	1982	1983	1984	January-June 1985 1/
Production——1,000 tons——	***	***	***	***
Capacity——do——	***	***	***	***
Capacity utilization——percent——	***	***	***	***
Domestic sales——1,000 tons——	***	***	***	***
Exports to:				
The United States——1,000 tons——	***	***	***	***
Others——do——	***	***	***	***
Total——do——	***	***	***	***
Yearend inventories——do——	***	***	***	***

1/ ***

Source: Compiled from data submitted by counsel for the producers in Canada.

Table 16.—Oil country tubular goods: Industry and trade data for Taiwan, 1982-84 and January-June 1985

Item	1982	1983	1984	January-June 1985
Production——tons——	***	***	***	***
Capacity——do——	***	***	***	***
Capacity utilization——percent——	***	***	***	***
Domestic sales——tons——	***	***	***	***
Exports to the United States——do——	***	***	***	***

Source: Compiled from data submitted to the Commission by counsel for Far East Machinery Co., Ltd.

Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and the Allegedly Subsidized and LTFV Imports

U.S. imports

U.S. imports of the oil country tubular goods under investigation (including both those meeting and those not meeting API specifications), as well as tubular goods not under investigation, frequently entered the United States under the same tariff item numbers during 1982-84. The Department of

Commerce has compiled a concordance of the TSUSA items for several broad categories of steel pipes and tubes. This concordance was based on an analysis in 1984 of information contained in Special Steel Summary Invoices (SSSI's), special customs documents completed for all imports of steel products. One of the pipe and tube categories in the concordance is oil country tubular goods. For each TSUSA item, the concordance breaks out the quantity of goods allocated as oil country tubular goods and those allocated as other types of steel pipes and tubes. The import data presented here are compiled from official statistics of the U.S. Department of Commerce as presented in the concordance. 1/

U.S. imports of oil country tubular goods from all countries decreased from 2.5 million short tons in 1982 to 661,000 short tons in 1983, or by 74 percent (table 17). Imports then increased to 2.2 million short tons in 1984, or by 238 percent. The principal sources of these imports in 1984 were Japan, Italy, West Germany, and The Republic of Korea (Korea), as shown in the following tabulation (in percent):

Source	1984
Japan	29.0
Italy	12.9
West Germany	14.9
Korea	12.3
Spain	3.4
Argentina	.9
Brazil	2.5
Mexico	3.0
Austria	2.5
Romania	1.7
Venezuela	1.3
All other	15.6
Total	100.0

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

Argentina.—Imports of oil country tubular goods from Argentina decreased from 17,000 tons in 1982 to 16,000 tons in 1983, or by 6 percent. Imports then increased to 20,000 short tons in 1984. As a share of total imports, those from Argentina increased from 0.7 percent in 1982 to 0.9 percent in 1984.

Canada.—Imports of oil country tubular goods from Canada decreased from 80,000 tons in 1982 to 29,000 tons in 1983 (or by 63.8 percent) then increased to 163,000 tons in 1984, an increase of 103.8 percent from imports in 1982. As a share of total imports, those from Canada increased from 3.2 percent in 1982 to 7.3 percent in 1984.

1/ Counsel for both Canada and Taiwan have questioned the validity of the import data as reported by the Concordance for oil country tubular goods. Post conference brief on behalf of Algoma Steel Corp., p. 15 and Post conference brief on behalf of Far East Machinery Co. Ltd., p. 7.

Table 17.—Oil country tubular goods: U.S. imports for consumption, from selected sources, 1982-84, January-May 1984, and January-May 1985

Source	1982	1983	1984	January-May— 1984	January-May— 1985
	Quantity (1,000 tons)				
Argentina	17	16	1/ 20	15	3
Canada	80	29	163	45	79
Taiwan	4	1	13	1	5
Subtotal	101	46	196	61	87
Brazil	56	15	56	21	4
Mexico	2	12	68	26	7
Austria	66	3	56	7	32
Romania	19	1	37	13	4
Venezuela	5	2	29	9	28
Korea	115	49	275	85	84
Spain	54	23	76	21	12
Japan	1,263	267	648	263	293
Italy	303	140	288	116	100
West Germany	291	51	333	118	76
All other countries	252	52	177	64	66
Total	2,527	661	2,239	804	793
	Value (million dollars)				
Argentina	15	8	1/ 10	6	2
Canada	117	22	104	32	46
Taiwan	2	1	5	2/	2
Subtotal	134	31	119	38	50
Brazil	44	6	25	11	3
Mexico	2	5	29	10	3
Austria	59	2	31	3	21
Romania	12	2/	12	6	1
Venezuela	3	2/	9	3	10
Korea	58	16	105	30	32
Spain	38	12	30	8	4
Japan	1,321	156	376	138	193
Italy	262	86	123	44	61
West Germany	282	26	157	51	43
All other countries	213	31	77	25	32
Total	2,529	371	1,092	367	453

1/ Data revised to reflect imports from Venezuela of 4,189 short tons ($1,274,993) entered under TSUSA item 610.3925 and incorrectly listed in official statistics as imports from Argentina. Data also include 905 short tons of drill pipe.

2/ Less than $500,000.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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

Taiwan.—Imports of oil country tubular goods from Taiwan declined from 4,000 tons in 1982 to 1,000 tons in 1983, then increased in 1984 to 13,000 tons, an increase of 225 percent from imports in 1982. As a share of total imports those from Taiwan increased from 0.2 percent in 1982 to 0.6 percent in 1984.

Voluntary restraint agreements

On January 11, 1985, the Office of the United States Trade Representative announced an agreement with the European Community (EC) on imports of steel pipes and tubes. The agreement, effective from January 1, 1985, through December 31, 1986, will reduce the EC's share of the U.S. pipe and tube market from the 14.6 percent share held during January-October 1984 to 7.6 percent in 1985 and 1986. Since the announcement of the agreement with the EC, voluntary restraint agreements (VRA's) have been signed with Finland, Australia, South Africa, Spain, Brazil, Korea, and Mexico. The respective shares of the U.S. market negotiated for these countries has not yet been published.

Market penetration by the allegedly subsidized and LTFV imports

Argentina.—The share of the U.S. market for oil country tubular goods supplied by imports from Argentina increased from 0.4 percent in 1982 to 1.1 percent in 1983, then dropped in 1984 to 0.5 percent (table 18).

Table 18.— Oil country tubular goods: Shares of U.S. consumption supplied by Argentina, Canada, Taiwan, all other countries, and U.S. producers, 1982-84, January-May 1984, and January-May 1985

	1982	1983	1984	January-May—	
				1984	1985
U.S. consumption-1,000 tons	4,260	1,396	3,764	1,223	1,226
Share of U.S. consumption supplied by—					
Argentina—percent	0.4	1.1	0.5	1.3	0.2
Canada—do	1.9	2.1	4.3	3.7	6.4
Taiwan—do	.1	.1	.3	.1	.4
All other—do	56.7	44.0	54.3	60.6	57.7
Subtotal—do	59.3	47.3	59.4	65.7	64.7
U.S. producers—do	40.7	52.7	40.6	34.3	35.3
Total—do	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Canada.—The share of the U.S. marekt supplied by oil country tubular goods from Canada increased annually from 1.9 percent in 1982 to 4.3 percent in 1984.

Taiwan.—The share of the U.S. market supplied by imports from Taiwan increased from 0.1 percent in 1982 and 1983 to 0.3 percent in 1984.

Prices

U.S. producers of oil country tubular goods generally quote their prices on an f.o.b. mill basis, with some publishing of price lists. U.S. producers often equalize freight with the domestic mill nearest to the specific customer. 1/ Importers generally quote prices on an f.o.b. port-of-entry or U.S. warehouse basis. The price of a given oil country tubular goods product depends on several factors including wall thickness, outside diameter, method of production, 2/ grade of steel, and the extent and type of end finishing. 3/

The producers and importers were requested to provide their selling prices for the following six representative size categories of oil country tubular goods:

API oil field casing.—4-1/2 inch outside diameter by 10.23 pounds per foot for P/E and 10.5 pounds per foot for T&C, seamless and welded;

API oil field casing.—5-1/2 inch outside diameter by 13.7 pounds per foot for P/E and 14 pounds per foot for T&C, seamless and welded;

Limited service oil field casing.—7 inch outside diameter by 22.63 nominal pounds for P/E or 23 nominal pounds for T&C, seamless and welded.

API oil field casing.—10-3/4 inch outside diameter by 44.22 pounds per foot for P/E and 45.5 pounds for T&C, seamless and welded; and

API oil field tubing.—2-3/8 inch outside diameter by 4.43 pounds per foot for P/E and 4.7 pounds for T&C, external upset end, seamless and welded;

API oil field drill pipe.—4-1/2 inch outside diameter by 16.6 pounds per foot, internal-external upset, grade E seamless, P/E.

1/ In the practice of freight equalization a U.S. producer supplying a customer located closer to a competing producer will absorb any differences in freight. The more distant producer charges the customer's account for freight costs as if the product were shipped from the closer producer.

2/ The major methods of production are welded and seamless. Within the welded category there are two major types of welding processes—ERW-seam annealed (ERW-annealed) and ERW-full body normalized (ERW-normalized).

3/ Oil country tubular goods are sold with either unfinished ends (plain ends-P/E) or finished ends (threaded and coupled-T&C). Finished ends, which can be either upset or non-upset, are threaded with any of a variety of thread configurations (different thread shapes and lengths) and then coupled.

There were 14 U.S. producers of oil country tubular goods, 1 importer of Argentine oil country tubular goods, 1/ and 3 importers of Canadian oil country tubular goods that reported some price data as requested but not necessarily for each product or each period. Very limited price data were received by two importers of oil country tubular goods produced in Taiwan. The 14 reporting U.S. producers accounted for approximately 82 percent of U.S. producers' total domestic shipments of oil country tubular goods products in 1984. During this period, the reporting importers accounted for 67 percent of the imports from Argentina, 63 percent of the imports from Canada, and *** percent of the imports from Taiwan. The weighted-average net selling prices and quantities based on price data reported by U.S. producers and importers are shown by product categories in appendix tables D-1 through D-9. 2/

The petitioners have stated that transportation costs are generally not a significant factor for purchasers in choosing sources. 3/ Domestic delivery costs as a percentage of the delivered selling price, reported by six domestic producers and three importers of the Canadian oil country tubular goods, were generally less than 7 percent. 4/ Accordingly, U.S. producers' and importers' net f.o.b. selling prices were used for comparing levels of domestic producers' and importers' prices from the purchasers' viewpoint, as well as for comparing the trends of these prices.

The method of production, ERW-annealed, ERW-normalized, or seamless, has a significant effect on price. In the ERW-annealed method, the seam is strengthened by heating a 4-inch area along the seam. An ERW-normalized tube is completely heated, making the metallurgical qualities more uniform throughout the tube. Seamless oil country tubular goods have the most uniform metallurgical properties. Pricing data for oil country tubular goods reported by these production methods show that ERW-annealed products were the lowest in price, ERW-normalized products were significantly higher in price, and seamless products were generally somewhat higher in price than the ERW-normalized products (appendix tables D-1, D-2, and D-4).

1/ Price data received by the importer of the Argentine oil country tubular goods were reported during investigation Nos. 731-TA-191 and 195 (Final), Oil Country Tubular Goods from Argentina and Spain. No price data for the imported Argentine products were reported during the current investigations.

2/ Tables D-1 through D-5 show the reported domestic oil country tubular goods price data and tables D-6 through D-9 show the reported imported oil country tubular goods price data. Only U.S. producers reported the price data for the oil field drill pipe product; these data are shown in table D-5.

3/ In some instances, however, purchasers indicated in Telephone conversations during the course of the investigation of lost sales that transportation costs were a significant consideration.

4/ The median delivery cost as a percentage of the delivered selling price was approximately 3.5 percent for domestic producers and 5 percent for the Canadian importers. The median distance shipped from their U.S. locations was about 390 miles for U.S. producers and 450 miles for the importers. Importers of Argentine and Taiwan oil country tubular goods did not report any transportation cost data.

Price trends.—Based on the f.o.b. selling prices reported by U.S. producers, quarterly prices of most domestic oil country tubular goods sold to distributors generally fluctuated but decreased by *** percent during January-March 1983 through April-June 1985. 1/ The reported prices of a few of the domestic oil country tubular goods products, however, increased over the same period by *** percent because of price increases in recent months. Most of the full-period price declines involved seamless and ERW-normalized products, whereas the few full-period price increases generally involved ERW-annealed products.

Domestic producers' prices for the ERW-normalized plain end 10-3/4 inch casing product fell erratically from *** per short ton during January-March 1983, to *** per ton during October-December 1983, or by *** percent for the year. Prices for this casing product then generally increased to *** per ton during July-September 1984, or by *** percent. However, beginning during October-December 1984, prices declined continuously to *** per ton during April-June 1985, or by *** percent, resulting in an overall price decline of *** percent for the period under investigation.

Representative of domestic producer price trends for ERW-annealed casing products is ERW-annealed plain end 4-1/2 inch casing, which experienced a price increase of around *** percent from January-March 1983 to April-June 1985. 2/ From *** per ton during January-March 1983, producers' prices fell steadily to *** per ton during July-September 1983, or by approximately *** percent for the three quarters. Prices for this casing product began to fluctuate upward during October-December 1983, and rose by *** percent to *** per ton during July-September 1984. Beginning during October-December 1984, prices for this product generally declined through April-June 1985, falling by *** percent to *** per ton.

Price data reported by importers of oil country tubular goods from Argentina and Canada show importers' prices ***. Importers' selling prices for Argentine seamless threaded and coupled 2-3/8 inch tubing *** during 1984, and prices for Argentine seamless threaded and coupled 5-1/2 inch casing *** in 1984. During the same period, U.S. producers' prices for the comparable tubing product fell by *** percent, while producers' prices for the comparable casing product rose by *** percent. Importers' prices *** for some Canadian oil country tubular goods categories by *** percent but *** for other categories by *** percent. U.S. producer price trends that could be developed for the same products and periods during which Canadian prices were rising show domestic producers' prices generally falling by *** percent. Domestic producers reported no price data for the product categories in which Canadian prices were falling.

1/ Price data obtained in earlier oil country tubular goods investigations generally indicated substantial price declines occurring in 1982.

2/ Producers' prices for the plain end and threaded and coupled ERW-annealed 5-1/2 inch casing products increased by approximately *** percent respectively from January-March 1983 to April-June 1985. Prices for the ERW-annealed threaded and coupled 4-1/2 inch casing product, however, declined over this period by around *** percent.

Price comparisons.—The reported selling price data resulted in 31 direct quarterly price comparisons between domestic and imported oil country tubular goods from Argentina, Canada, and Taiwan sold to distributors during January-March 1983 through April-June 1985. Margins of underselling (overselling) by country and method of production are discussed in detail below.

Argentina.—Of the nine quarterly price comparisons between the domestic and imported Argentine oil country tubular goods, five showed *** by the imported products in the seamless casing categories, and four showed *** in the imported seamless tubing categories (tables 19-21). Margins of *** averaged approximately *** per ton for the nine comparisons, or about *** percent of the domestic producers' prices, and occurred from January-March 1984 through October-December 1984. Trends in *** were evident in the 5-1/2 inch casing and 2-3/8 tubing products. *** in the 5-1/2 inch casing category *** from *** per ton during January-March 1984 to *** per ton in October-December 1984, *** to *** percent the domestic producer price. *** in the 2-3/8 inch tubing category *** steadily from *** per ton during January-March 1984 to *** per ton in October-December 1984, reflecting *** from *** to *** percent.

Canada.—Six of the 21 quarterly price comparisons between domestic and imported Canadian oil country tubular goods showed underselling by the imported products, with margins of underselling averaging approximately *** per ton or about *** percent below the domestic producers' prices (tables 19-21). There were five instances of underselling that occurred in the 4-1/2 inch and 5-1/2 inch casing categories, which involved ERW-normalized or seamless products. Underselling in the casing products averaged approximately *** per ton or about *** percent below the domestic producer prices. Eight other price comparisons involving these casing categories showed overselling. *** of underselling occurred in the 2-3/8 tubing category, involving the ERW-annealed product. This single instance of underselling, during ***, was *** per ton or *** percent below the domestic producer price. There were seven other price comparisons involving this tubing category that showed overselling and reflect more recent comparisons. 1/

In addition to the 21 direct comparisons discussed above, which involved imports from Canada, 10 other quarterly price comparisons, in the 10-3/4 inch casing category, were possible between the domestic and imported Canadian oil country tubular goods products (appendix tables D-3 and D-9). These latter price comparisons are discussed separately because of the questionable comparability of these domestic and imported products; the domestic products were made with the ERW-normalized method and the imported Canadian products were made with the seamless method. 2/ There were four quarterly price

1/ ***. Telephone conversation with the Commission staff on Aug. 19, 1985.

2/ Although Lone Star markets its ERW-normalized oil country tubular goods products as close substitutes for seamless products, not all purchasers or suppliers view the seamless and ERW-normalized products as substitutable.

comparisons, which occurred during January-September 1983 and January-March 1984, that showed underselling by the imported product, averaging approximately *** per ton orabout *** percent below the domestic producer price. There were six other quarterly price comparisons, which occurred mostly during 1984 and 1985, that showed overselling.

Although Canada exports sub-API oil country tubular goods to the United States for use in the limited service market, only limited price data were reported by importers of the Canadian material and none were reported by U.S. producers.

Taiwan.—The single possible price comparison between the domestic and imported Taiwan oil country tubular goods showed *** by the foreign material of approximately *** per ton or about *** percent below the domestic producer price. This instance of *** involved the 4-1/2 inch, ERW-annealed, plain end product sold during April-June 1984.

Table 19.—API oilfield casing—4-1/2 inch outside diameter: Average margins of underselling (overselling) between the domestic and subject imported oil country tubular goods, 1/ by product categories and by quarters, October 1983-June 1985

Period	ERW-annealed 2/		ERW-normalized 3/		Seamless 3/			
	Threaded and coupled							
	Canada		Canada		Canada		Argentina	
	Per ton	Percent	Per ton	Percent	Per ton	Percent	Per ton	Percent
1983:								
Oct.-Dec	4/	4/	4/	4/	***	***	4/	4/
1984:								
Jan.-March	***	***	4/	4/	***	***	***	***
Apr.-June	***	***	4/	4/	***	***	4/	4/
July-Sept	4/	4/	***	***	4/	4/	4/	4/
1985:								
Jan.-March	***	***			4/	4/	4/	4/
Apr.-June	***	***	4/	4/	4/	4/	4/	4/

1/ The average margins of underselling or overselling were based on the differences in the importers' price from the U.S. producers' price. Any average margins of overselling, which indicate that the U.S. producers' prices are less than the price of the imported product, are shown in parentheses.
2/ Grade J55 steel.
3/ Grade K55 steel.
4/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 20.—API oilfield casing—5-1/2 inch outside diameter: Average margins of underselling (overselling) between the domestic and subject imported oil country tubular goods, 1/ by product categories and by quarters, October 1983–June 1985

Period	ERW-annealed 2/		ERW-normalized 3/		Seamless 3/			
	Threaded and coupled							
	Canada		Canada		Canada		Argentina	
	Per ton	Percent	Per ton	Percent	Per ton	Percent	Per ton	Percent
1983:								
Oct.-Dec.	***	***	4/	4/	***	***	4/	4/
1984:								
Jan.-March	***	***	4/	4/	4/	4/	***	***
Apr.-June	***	***	4/	4/	4/	4/	***	***
July-Sept	4/	4/	4/	4/	4/	4/	***	***
Oct.-Dec.	4/	4/	4/	4/	4/	4/	***	***
1985:								
Jan.-March	4/	4/	***	***	4/	4/	4/	4/

1/ The average margins of underselling or overselling were based on the differences in the importers' price from the U.S. producers' price. Any average margins of overselling, which indicate that the U.S. producers' price is less than the price of the imported product, are shown in parentheses.

2/ Grade J55 steel.

3/ Grade K55 steel.

4/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 21.—API Oilfield tubing—2-3/8 inch outside diameter: Average margins of underselling (overselling) between the domestic and subject imported oil country tubular goods, 1/ by product categories and by various quarters, January 1983–June 1985

Period	ERW-annealed 2/		Seamless 3/	
	Threaded and coupled			
	Canada		Argentina	
	Per ton	Percent	Per ton	Percent
1983:				
January-March	***	***	4/	4/
April-June	***	***	4/	4/
July-September	***	***	4/	4/
October-December	***	***	4/	4/
1984:				
January-March	4/	4/	***	***
April-June	***	***	***	***
July-September	***	***	***	***
October-December	4/	4/	***	***
1985:				
January-March	***	***	4/	4/
April-June	***	***	4/	4/

1/ The average margins of underselling or overselling were based on the differences in the importers' price from the U.S. producers' price. Any average margins of overselling, which indicate that the U.S. producers' price is less than the price of the imported product, are shown in parentheses.

2/ Grade J55.

3/ Includes both J55 and K55 grade steel.

4/ Not available.

Source: Compiled from data submiteed in repsonse to questionnaires of the U.S. International Trade Commission.

<u>Exchange rates</u>.—Tables 22-24 present indexes of producers' prices in the United States, Argentina, Canada, and Taiwan, and indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of the subject countries, by quarters, from January-March 1983 (the base period) to January-March 1985. 1/ The Argentine peso has depreciated by almost 98 percent in nominal terms against the U.S. dollar since the base period. However, because the rate of inflation in Argentina was significantly higher than that in the United States, the value of the peso declined less sharply in real terms. Since the base period, the Argentine peso has fallen in real terms by approximately 15 percent. Relative to the U.S. dollar, the Canadian dollar has depreciated by around 10 percent since January-March 1983, but the real value of the Canadian currency declined by only 5 percent because of a slightly higher rate of inflation in Canada. The nominal and real exchange rates of the New Taiwan dollar relative to the United States dollar have shown little change since the base period. While the New Taiwan dollar has appreciated by less than 2 percent since January-March 1983, the real value of the Taiwan currency has fallen by less than 2 percent.

1/ Quarterly figures for April-June 1985 are also presented when available.

Table 22.—Indexes of producer prices in the United States and Argentina, 2/ and indexes of the nominal and real exchange rates between the U.S. dollar and the Argentine peso, 1/ by quarters, January 1983–June 1985

(January-March 1983=100)

Period	U.S. producer price index	Argentine producer price index	Nominal-exchange-rate index	Real-exchange-rate index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	100.3	133.2	73.6	97.7
July-September	101.3	203.1	53.9	107.5
October-December	101.8	338.0	32.9	107.3
1984:				
January-March	102.9	516.8	20.8	103.8
April-June	103.6	858.7	14.0	115.8
July-September	103.4	1,438.4	8.4	115.4
October-December	103.1	2,402.0	4.5	101.4
1985:				
Januray-March	102.9	4/ 3,773.8	2.2	84.6
April-June	5/ 102.9	6/	5/1.7	6/

1/ Exchange rates expressed in U.S. dollars per Argentine peso.
2/ Producer price indicators—intended to measure final product prices—are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
4/ Based on preliminary data for January and February only.
5/ Based on preliminary data for April only.
6/ Not available.

Source: International Monetary Fund, International Financial Statistics, June 1985.

Table 23.—Indexes of producer prices in the United States and Canada, 2/ and indexes of the nominal and real exchange rates between the U.S. dollar and the Canadian dollar, 1/ by quarters, January 1983-June 1985

(January-March 1983=100)

Period	U.S. producer price index	Canadian producer price index	Nominal-exchange-rate index	Real-exchange-rate index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	100.3	101.4	99.7	100.9
July-September	101.3	102.3	99.6	100.6
October-December	101.8	102.7	99.1	100.0
1984:				
January-March	102.9	104.4	97.8	99.2
April-June	103.6	105.7	94.9	96.8
July-September	103.4	106.4	93.4	96.2
October-December	103.1	106.6	93.1	96.4
1985:				
January-March	102.9	107.6	90.7	94.9
April-June	3/ 102.9	4/	3/ 89.9	4/

1/ Exchange rates expressed in U.S. dollars per Canadian dollars.

2/ Producer price indicators—intended to measure final product prices—are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

3/ Based on preliminary data for April only.

4/ Not available.

Source: International Monetary Fund, International Financial Statistics, June 1985.

Table 24.—Indexes of producer prices in the United States and Taiwan, and indexes of the nominal and real exchange rates between the U.S. dollar and the New Taiwan dollar, 1/ by quarters, January 1983-June 1985

(January-March 1983=100)

Period	U.S. producer price index	Taiwanese producer price index	Nominal-exchange-rate index	Real-exchange-rate index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	100.3	100.7	99.7	100.1
July-September	101.3	101.0	99.5	99.1
October-December	101.8	101.2	99.3	98.6
1984:				
January-March	102.9	101.4	99.4	97.9
April-June	103.6	101.1	100.4	98.0
July-September	103.4	101.4	101.8	99.9
October-December	103.1	100.8	101.5	99.2
1985:				
January-March	102.9	99.9	101.5	98.5
April-June	2/ 102.9	3/	2/100.5	3/

1/ Exchange rates expressed in U.S. dollars per new Taiwan dollars.
2/ Based on preliminary data for April only.
3/ Not available.

Source: Central Bank of China, Financial Statistics, June 1985.

Lost sales

During the current investigations, *** U.S. producers of oil country tubular goods reported eight specific instances in which they allegedly lost sales of their oil country tubular goods to imports from Canada. No lost sales allegations were reported during these investigations concerning imports from Argentina or Taiwan. The Commission staff investigated all eight alleged lost sales. During investigation No. 731-TA-191 (Final), oil country tubular goods from Argentina, the Commission staff investigated six specific instances in which domestic producers alleged losing sales of their oil country tubular goods to imports from Argentina. The fourteen lost sales allegations from the current and previous investigations are discussed below.

The two petitioners, Lone Star and CF&I, did not provide the Commission with information concerning specific instances of lost sales. At the request of the Commission, the petitioners gave the following explanation concerning their inability to supply the lost sales information, as requested.

> It is extremely difficult for Petitioners to provide the Commission with instances of lost sales and lost revenues because of their method of pricing and distribution. Lone Star and LTV Steel publish their own price lists. CF&I Steel prices its products by references to Lone Star's and U.S. Steel's price lists. Thus, Petitioners' actual selling prices, which may reflect a particular percentage discount which is also published, are known to their distributors and all prospective ultimate purchasers. These distributors and ultimate purchasers, fully aware of Petitioners' prevailing prices, are then able to negctiate with foreign producers, including producers in Argentina, Canada, and Taiwan, to obtain an even better price. If and when they are able to negotiate a contract with a foreign producer, it is extremely unlikely that Petitioners will know of its existence, much less know the actual prices or volume involved since they might never have dealt directly with the prospective purchaser. For these reasons, i.e., the use of published prices and discounts and the selling through distributors, Petitioners are unable to provide a significant number of instances of lost sales and revenues.

Imports from Argentina.--*** submitted *** instances of lost sales of oil country tubular goods to competing imports from Argentina. ***, for the firm acknowledged the "spot" purchase. "We found this deal," he said, "and it was acceptable material." From a quality standpoint, *** noted that small size tubular goods from Argentina's smaller mills are good quality but that the larger sizes from older Argentine mills are not up to *** quality. Imported tubular goods such as the above in amounts up to 100 tons are "less than a string" and can be found consistently in today's market. Such inventory "is where the buys are," says ***. "Prices have not firmed as expected because demand has fallen faster than supply despite the voluntary restraint agreements. Rig count in March of 1985 was 160 rigs below last year's level."

*** cited *** in a *** alleged lost sale to imports from Argentina. *** allegedly bought *** tons of *** inch *** in ***, rejecting *** bid of *** per ton in favor of a price of *** per ton for the Argentine ***. *** confirmed a general pattern of buying the lowest-priced product. Without specific invoice numbers he could not verify the instance cited. *** emphasized that "We buy the world market." Sourcing from viable, long-standing distributors, *** seeks quotes from five or more such firms. These distributors take the risk on quality. *** pays for "good footage only and the distributor eats any poor quality." Imports currently account for about half of *** purchases of *** to *** tons per year. *** knows for certain that he has bought Argentine oil country tubular goods in the last six months after rejecting competing domestic products quoted at higher prices. There is no trend by source country or quantity. "We source the market for each purchase," says *** adding that tubular goods from new (non-traditional) source countries pose no quality problems for *** because of *** policy of accepting "good footage only."

*** submitted *** instances of alleged lost sales to imported oil country tubular goods from Argentina. *** was named as allegedly purchasing *** tons of Argentine *** in *** priced at ***, about *** below the rejected domestic quote. *** denied the allegation. This particular purchase was for Japanese product, although *** stated that he has bought imported OCTG from Argentina. In the cited instance, the firm's *** customer had specified West German, Japanese, or domestic tubing. *** annual volume is *** to ***. *** is critical of the larger domestic mills who won't sell to *** and other independent distributors, requiring purchases through their exclusive distributors at the same price that the distributor sells to end-users. Small pipe mills welcome *** business but do not have the breadth of product needed. Consequently, *** turns to imported products. He is concerned that if imports are turned off (or sharply curtailed) and the major pipe mills *** won't sell to *** the firm will be out of business.

*** also cited ***, a ***, in another alleged lost sale to imported *** from Argentina. *** allegedly rejected a domestic quote of *** for tons of *** inch, J-55 *** in favor of Argentine *** offered at ***. *** confirmed the purchase of the Argentine ***. This was his only order of Argentine oil country tubular goods but he acknowledged also buying Brazilian, some Spanish, and a considerable quantity of Venezuelan product. Competition is so keen that he loses sales on a price differential of as little as *** per foot, or *** a "string." For this reason, *** bought the Argentine pipe and looks for the lowest quote in making his decisions on where to buy.

*** was also named in a lost sale allegation submitted by ***. This alleged purchase involved *** tons of *** inch, J-55 Argentine *** bought in *** at a price of ***, compared with the rejected domestic quote of ***. *** for the firm, could not be reached.

*** asserted that in ***, *** rejected its offer of *** for *** short tons of welded *** and bought the product from Argentina instead. A spokesman for *** stated that he has not purchased any imported oil country tubular goods since 1982 and is not familiar with oil country tubular goods imports from Argentina.

Imports from Canada.—*** submitted *** instances of lost sales of oil country tubular goods to competing imports from Canada. In the first instance, *** alleged that it was unable to sell almost *** short tons of various *** products to *** for approximately *** 1985 because that company purchased Canadian *** products for *** instead. *** confirmed a sale lost by a domestic firm in that period, but said that it was *** rather than *** that lost the bid. *** bought the *** product from *** and *** for use in ***. He stated that the major factor in his purchasing decisions is the ability of a supplier to satisfy his particular needs in terms of the size, grade and weight suited to a particular drilling location. Second in importance is quality, with price and availability being the last considerations. In ***, *** was searching for oil country tubular goods for use in ***. In purchasing the product for *** usually buys directly from the mill and solicits bids worldwide. *** said that in this instance products of both the domestic suppliers and the imported suppliers suited his needs. He believed that the Canadian product was of either similar or of higher quality than the domestic product. The reason he bought the products from *** and ***in the final analysis was that he could get a better delivered price *** by doing so because freight from *** facility was much higher than from ***'s location in ***.

*** alleged that, in ***, it offered to sell approximately *** tons of *** to *** for *** but *** purchased Canadian *** for *** instead. *** of *** stated that, in ***, he bought only *** tons of ***, which was purchased from ***, and did not purchase the other casing product mentioned by ***. The end user for which *** purchased the *** did not require API-specified *** because he needed the product for a shallow well of less than 3,000 feet. To *** knowledge, *** of this size was not available from a domestic source during this period. The major factor in *** purchasing decisions is consumer acceptance, which varies according to the market segment involved. When he purchases for major oil companies, quality, rather than price, is the primary factor in finding a supplier. *** confirmed that major oil companies purchase from their lists of accepted sources, which typically include top quality seamless products from domestic as well as foreign sources (e.g., *** from Canada, *** from Germany, *** from Italy) and ***'s welded products that are marketed as comparable to seamless. Independent operators, on the other hand, buy primarily on price, although quality is a consideration. When asked if he had ever purchased oil country tubular goods from Argentina and Taiwan, *** explained that while *** occasionally makes spot purchases of products from these countries, it does not usually inventory such product.

The Commission staff investigated all *** allegations of lost sales to imports from Canada reported by ***. Each of the *** allegations occurred in *** and involved *** tons of ***. 1/ *** alleged that in each instance its ***, at *** per ton, was competing against Canadian *** priced at *** per ton. *** a steel distributor in *** was cited in a lost sales allegation by ***.

1/ ***

According to *** the company is a distributor specializing in sales of oil country tubular goods for use in shallow wells of 8,000 feet or less. His company purchases domestically from ***, ***, ***, ***, and several other smaller mills. His Canadian suppliers include *** and ***. The major factors in his purchasing decisions are service and quality, but he stated that you "have to watch price, too." He denied that he has ever bought oil country tubular goods from a Canadian supplier rather than a domestic supplier solely because the foreign price was lower. Further, he stated that he bought no more than *** tons from either Canadian or domestic mills in *** because he could not sell it. He indicated that Canadian oil country tubular goods are higher priced than those from *** but that their quality is very good. *** complained that he has recently experienced problems with availabilty of seamless material from *** and ***.

*** cited *** a distributor in *** in a second alleged lost sale to imports from Canada. ***, stated that he did not purchase the Canadian casing during ***, and added that at the time on an f.o.b. basis ***'s price of the *** product was *** per ton compared to *** per ton for the Canadian product.

* * * * * * *

*** cited *** , in a third alleged lost sale to imports from Canada. *** reported that the regular suppliers include *** and used to include ***. He could not specify whether or not he purchased from a Canadian firm in *** but he denied purchasing anywhere near *** tons from any source during ***, explaining that, for the last *** months, demand has been particularly weak in his market area. When asked about the quality of ***'s products, he stated that he believed they were just as good as domestic products. Because end users in the *** market typically purchase on a price quote basis, price is the major determinant in their decisions on sources.

*** cited *** a distributor that purchases from many companies, in a fourth lost sales allegation involving Canadian imports. Although a spokesman for *** denied purchasing *** from a Canadian supplier at this time, the company did reportedly purchase *** tons of *** from *** in *** because for the same level of quality it was lower priced than similar products from his domestic suppliers. This spokesman added that he was experiencing supply problems from *** one of his regular suppliers, in ***. Apparently, *** would not change its production schedule to produce the *** for which he was searching, because they were producing a larger *** product more suited to demand in the southwest. Finally, he complained that *** prices have not been competitive lately.

*** cited *** a distributor in *** in a fifth alleged lost sale to imports from Canada. *** purchaser for the firm, stated that *** was prepared to purchase the Canadian *** instead of ***, largely because the imported material was about *** per ton less on a delivered price basis than the domestic material. His firm did not buy the Canadian ***, however, because the job was awarded to another distributor, ***. *** did not know the origin of the *** sold by the winning firm.

*** cited *** a distributor in *** in a sixth alleged lost sale to imports from Canada. *** purchaser for the firm, stated that his firm purchased about *** tons of ***, but *** was the source for that purchase. According to *** price and the price of the imported Canadian material was about equal.

Imports from Taiwan.—No specific lost-sales allegations were reported by domestic oil country tubular goods producers concerning imports from Taiwan.

APPENDIX A

COMMISSION'S FEDERAL REGISTER NOTICE

[Investigations Nos. 701-TA-255 and 256 (Preliminary) and 731-TA-275, 276 and 277 (Preliminary)]

Oil Country Tubular Goods From Argentina, Canada and Taiwan

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigations Nos. 701-TA-255 and 256 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada and Taiwan of oil country tubular goods,[1] which are alleged to be subsidized by the Governments of Canada and Taiwan. As provided in section 703(a), the Commission must complete preliminary countervailing duty investigations in 45 days, or in these cases by September 5, 1985.

The Commission also gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-275, 276 and 277 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Argentina, Canada and Taiwan of oil country tubular goods,[1] which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in these cases by September 5, 1985.

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

EFFECTIVE DATE: July 22, 1985.

FOR FURTHER INFORMATION CONTACT: Abigail Eltzroth (202-523-0289) or Bruce Cates (202-523-0369), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed on July 22, 1985, on behalf of Lone Star Steel Company, Dallas, TX, and CF&I Steel Corporation, Pueblo, CO.

Participation in the investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with § 207.3 of the rules (19 CFR 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on August 9, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Vera Libeau (202-523-0368), not later than August 7, 1985, to arrange for their appearance. Parties in support of the imposition of antidumping and/or countervailing 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.

Written submissions

Any person may submit to the Commission on or before August 13, 1985, a written statement of information pertinent to the subject of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15).

[1] For purposes of these investigations the term "oil country tubular goods" includes drill pipe, casing and tubing for drilling oil or gas wells, of carbon or alloy steel, whether such articles are welded or seamless, whether finished or unfinished, and whether or not meeting American Petroleum Institute (API) specifications, provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules. All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules.

Authority

These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commision's rules (19 CFR 207.12).

By order of the Commission.

Issued: July 26, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-18148 Filed 7-30-85; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

CALENDAR OF WITNESSES

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-255 and 256 (Preliminary) and
731-TA-275, 276 and 277 (Preliminary)

OIL COUNTRY TUBULAR GOODS FROM ARGENTINA, CANADA AND TAIWAN

Those listed below appeared as witnesses at the United States International Trade Commission conference in connection with the subject investigations on August 9, 1985, at the USITC Building, 701 E Street, N.W., Washington, DC

In support of the imposition of countervailing duties and antidumping duties

Akin, Gump, Strauss, Hauer & Feld—Counsel
Washington, DC
on behalf of

Lone Star Steel Company
and
CF&I Steel Corporation

Richard R. Rivers)
Warren E. Connelly) —OF COUNSEL
William Long)
Shannon Shuman)

Dewey, Ballantine, Bushby, Palmer & Wood
Washington, D.C.
on behalf of

Lone Star Steel company

Elaine M. Frangedakis—OF COUNSEL

James E. Knox, Executive Vice President and General Counsel, Lone Star Steel Company
James Chenoweth, Manager, International Trade Affairs, Lone Star Steel Company

Schagrin Associates
Washington, D.C.
on behalf of

Copperweld Tubing Group (Copperweld Corp.)
Maverick Tube Corp.
Quanex Oil Country Group (Quanex Corp.)
Sawhill Tubular Division (Cyclops Corp.)
Tex-Tube Division (Cyclops Corp.)

Roger B. Schagrin—OF COUNSEL

<u>In opposition to the imposition of countervailing duties and antidumping duties</u>

Dow, Lohnes & Albertson
Washington, D.C.
<u>on behalf of</u>

The Algoma Steel Corporation, Limited
Krieser Pipe & Tube
Prudential Steel Limited
Sonco Steel Tube Limited
Stelco Inc.
The Titan Industrial Corporation
Welded Tube of Canada Limited

David Condon, President, Algoma Tube Corp.
Douglas Hahn, Sonco Steel Tube Ltd.
William J. Kissick, Government Affairs Office, Algoma Steel Corp., Ltd.
James T. Melville, Secretary, Algoma Steel Corp., Ltd.

William Silverman)
Michael House)—OF COUNSEL
Carrie Simon)

Barnes, Richardson & Colburn—Counsel
Washington, DC
<u>on behalf of</u>

IPSCO, Inc
and
IPSCO Steel, Inc.

Ben Vinzant, President, IPSCO Steel, Inc.
John Tulloch, Vice President Marketing, IPSCO, Inc.
Rufus E. Jarman, Jr.)
Leonard Lehman)—OF COUNSEL
Matthew J. Clark)

Ablondi & Foster—Counsel
Washington, DC
<u>on behalf of</u>

Far East Machinery Company, Ltd.

F. David Foster)
Sturgis M. Sobin)—OF COUNSEL

APPENDIX C

OTHER COMMISSION INVESTIGATIONS

Other Investigations Concerning Oil Country Tubular Goods

On June 12, 1984, in investigation No. TA-201-51, regarding carbon and certain alloy steel products, the Commission determined, under section 201 of the Trade Act of 1974, that increased imports of steel pipes and tubes were not a substantial cause of serious injury, or threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 1/ The steel pipes and tubes that were the subject of the section 201 investigation included the oil country tubular goods that are the subject of the instant investigations as well as other pipes and tubes that are not covered by these investigations.

On June 13, 1984, countervailing duty petitions were filed with Commerce concerning imports of oil country tubular goods from Argentina and Mexico. Since these countries were not signatories to the General Agreement on Tariffs and Trade, the Commission was not required to make injury determinations concerning imports that were alleged to be subsidized from these countries. On November 27 and November 30, 1984, Commerce published in the Federal Register its final affirmative determinations that the manufacturers, producers, or exporters of oil country tubular goods in Argentina and Mexico, respectively, receive benefits that constitute subsidies. The subsidy margins were 0.90 percent ad valorem for products from Argentina and 5.84 percent ad valorem for products from Mexico. On July 31, 1985, Commerce published the final results of its changed circumstances administrative review of the order concerning imports from Mexico and revoked the order, effective October 1, 1984.

Also on June 13, 1984, countervailing duty petitions were filed with the Commission and Commerce concerning imports of oil country tubular goods from Brazil, Korea, and Spain. On July 23, 1984, the Commission 2/ unanimously determined that there was a reasonable indication that an industry in the United States was materially injured by reason of such imports. 3/

Commerce published its final subsidy determinations in these cases on November 27, 28, and 30, 1984, respectively. The subsidy margins for Brazil and Spain ranged from 11.35 to 25.24 percent ad valorem and 11.29 to 24.74 percent ad valorem, respectively. For Korea, the net subsidy was 0.53 percent ad valorem. On January 2, 1985, the Commission determined that an

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1/ Carbon and Certain Alloy Steel Products: Report to the President on Investigation No. TA-201-51 . . ., USITC Publication 1553, July 1984.
2/ Vice Chairman Liebeler and Commissioner Lodwick dissenting.
3/ Oil Country Tubular Goods from Argentina, Brazil, Korea, Mexico, and Spain: Determinations of the Commission in Investigations Nos. 701-TA-215 through 217 (Preliminary) . . ., USITC Publication 1555, July 1984.

industry in the United States was materially injured by reason of imports of oil country tubular goods from Brazil and Spain 1/ and that an industry in the United States was not materially injured or threatened with material injury, and the establishment of an industry in the United States was not materially retarded, by reason of imports from Korea of oil country tubular goods. 2/

On July 31, 1985, Commerce published the final results of its changed circumstances administrative review of the countervailing duty order concerning imports from Spain and revoked the order, effective October 1, 1984.

Also on June 13, 1984, counsel for Lone Star and CF&I filed antidumping petitions with the Commission and Commerce concerning imports of oil country tubular goods from Argentina, Brazil, Korea, Mexico, and Spain. On July 13, 1984, the Commission 3/ unanimously determined that there was a reasonable indication that an industry in the United States was materially injured by reason of such imports. 4/ On January 16, 1985, Commerce published in the Federal Register its preliminary affirmative determinations that imports of oil country tubular goods from Argentina, Brazil, Mexico, and Spain were being sold at LTFV with weighted average margins of 104.11 percent, 33.08 percent, 20.77 percent, and 74.0 percent, respectively. Commerce also made a preliminary determination that imports from Korea were not being, and were not likely to be, sold in the United Stats at LTFV.

On April 4, 1985, the Commission received notice of Commerce's final determinations tht oil country tubular goods from Argentina and Spain were being sold at LTFV with a weighted-average margin of 61.7 percent for imports from Argentina and margins ranging from 70.1 to 83.5 percent for imports from Spain. On May 13, 1985, the Commission unanimously determined that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is

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1/ Chairwoman Stern found that there was a reasonable indication that an industry in the United States was materially injured or was threatened with material injury by reason of such imports.

2/ Oil Country Tubular Goods from Brazil, Korea, and Spain:. . .Determinations of the Commission in Investigations Nos. 701-TA-215 through 217 (Final), USITC Publication 1633, January 1985. Commissioners Eckes and Rohr dissenting.

3/ Vice Chairman Liebeler dissenting.

4/ Oil Country Tubular Goods From Argentina and Spain, Determinations of the Commission in Investigations Nos. 731-TA-191 and 195 (Final) . . ., USITC Publication 1694, May 1985.

not materially retarded by reason of imports from Argentina but that an industry in the United States is materially injured 1/ by reason of imports from Spain. On May 23 and May 31, 1984, the petitioners withdrew their petitions on Korea, Brazil, and Mexico and the investigations were terminated by Commerce before final determinations were announced.

On February 28, 1985, United States Steel Corp. filed antidumping and countervailing duty petitions with the U.S. International Trade Commission and the U.S. Department of Commerce. On March 12 and March 25, 1985, Lone Star and CF&I requested that they be added as copetitioners in those investigations. The countervailing duty petitions concerned imports of oil country tubular goods from Austria and Venezuela, and the antidumping petitions concerned imports of the subject merchandise from Austria, Romania, and Venezuela. The Commission determined 2/ on April 8, 1985, that there was a reasonable indication 3/ that an industry in the United States was materially injured by reason of imports from Austria and Venezuela of oil country tubular goods, 4/ which are alleged to be subsidized by the Governments of Austria and Venezuela. 5/

In addition, the Commission determined 6/ that there was a reasonable indication that an industry in the United States was materially injured 7/ by reason of imports from Austria, Romania, and Venezuela of oil country tubular goods, 8/ which are alleged to be sold in the United States at LTFV. 9/

As a result of the most recent investigations on oil country tubular goods 10/ the Commission, on May 13, 1985, determined that an industry in the United States is not materially injured, or threatened with material injury, and the establishment of an industry in the United States is not materially retarded by reason of imports of that merchandise from Argentina, which the Department of Commerce determined is being sold in the United States at LTFV. The Commission also determined that an industry in the United States is materially injured 11/ by reason of imports from Spain of oil country tubular goods that were found by Commerce to be sold in the United Sates at LTFV. With respect to Spain, the Commission further determined 12/ that there is material injury by reason of massive imports of the LTFV merchandise over a short period of time to the extent that it is necessary to impose the duty retroactively to prevent such injury from recurring.

1/ Vice Chairman Liebeler dissenting.
2/ Vice Chairman Liebeler dissenting.
3/ Except drill pipe.
4/ Commissioners Eckes and Lodwick did not exclude drill pipe.
8/ Oil Country Tubular Goods from Austria, Romania, and Venezuela: . . .Determinations of the Commission in Investigations Nos. 701-TA-240 and 241, and 731-TA-249 through 251 (Preliminary) . . ., USITC Publication 1679, April 1985.
9/ Oil Country Tubular Goods from Argentina and Spain: Determinations of the Commission in Investigations No. 731-TA-191 and 195 (Final)... USITC Publication 1694, May 1985.
10/ Vice Chairman Liebeler dissenting.
11/ Vice Chairman Liebeler and Commissioner Lodwick dissenting.

Oil country tubular goods: Other pending antidumping investigations, outstanding dumping orders, and most recent dumping margins, by countries, 1982-84

Product/ investigation/ order/country	Weighted-average margin	Date of bond or order 1/	Ratio of imports to apparent U.S. consumption		
			1982	1983	1984
Outstanding anti-dumping:					
Spain	2/	Mar. 29, 1985	1.3	1.6	2.0
Altoshornos de Vizcaya S.A.	83.5				
Tubos Reunidos S.A.	70.1				
All other firms	76.8				
Austria			1.5	.2	1.5

1/ Date posting of bond required or date order issued.
2/ Order revoked by Commerce on June 10, 1985.

Source: Compiled from data contained in various reports of the U.S. International Trade Commission.

Oil country tubular goods: Other pending countervailing duty investigations, outstanding countervailing orders, and most recent subsidy margins, by countries, 1982-84

Product/ investigation/ order/country	Weighted-average margin	Date of bond or order 1/	Ratio of imports to apparent U.S. consumption		
			1982	1983	1984
Pending countervailing investigation:					
Austria	1.82	May 24, 1985	1.6	0.2	1.5
Outstanding countervailing order:					
Argentina	0.9	Nov. 27, 1984	0.4	1.1	.5
Brazil 2/		Feb. 7, 1985	1.3	1.1	.7
Confab	24.9				
Mannesman	25.2				
Persicco	11.4				
All other	22.4				
Mexico 3/	5.8	Nov. 30, 1984	4/	.9	1.8
Spain 5/		Feb. 7, 1985	1.3	1.6	2.0
AHV	17.6				
TR	16.2				
Tubacex	17.7				
B&W	22.5				
TRAMESA	22.5				
All other	17.2				

1/ Date posting of bond required or date order issued.
2/ Order revoked by Commerce on June 19, 1985.
3/ Order revoked by Commerce on July 31, 1985 effective as of Oct. 1, 1984.
4/ Less than 0.05 percent.
5/ Order revoked by Commerce on July 31, 1985, effective as of Oct. 1, 1984.

Source: Compiled from data contained in various reports of the U.S. International Trade Commission.

APPENDIX D

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