OIL COUNTRY TUBULAR GOODS FROM ISRAEL

Determination of the Commission in Investigation No. 701-TA-271 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

Determination of the Commission in Investigation No. 731-TA-318 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Dennis Rapkins, Office of Industries
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Jerald Tepper, Office of Investigations
Paul Bardos, Office of the General Counsel

Vera A. Libeau, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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Note -- Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigations Nos. 701-TA-271 (Preliminary)
and 731-TA-318 (Preliminary)

OIL COUNTRY TUBULAR GOODS FROM ISRAEL

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ 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 3/ by reason of imports from Israel (investigation No. 701-TA-271 (Preliminary)) of oil country tubular goods, 4/ 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 Government of Israel.

Further, the Commission determines, 2/ 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 3/ by reason of imports from Israel (investigation No. 731-TA-318 (Preliminary)) of oil country tubular goods, 4/ 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

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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/ Vice Chairman Liebeler determines that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Israel which are alleged to be subsidized or to be sold at less than fair value.

3/ Chairwoman Stern determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury.

4/ 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.

United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On March 12, 1986, a petition was filed with the Commission and the Department of Commerce by Lone Star Steel Co., Dallas, TX and CF&I Steel Corp., Pueblo, CO, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of oil country tubular goods from Israel, and by reason of imports of oil country tubular goods from Israel which are allegedly being sold in the United States at less than fair value. Accordingly, effective March 12, 1986, the Commission instituted preliminary investigations Nos. 701-TA-271 (Preliminary) and 731-TA-318 (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 March 19, 1986 (51 FR 9540). The conference was held in Washington, DC, on April 7, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONER ECKES,
COMMISSIONER LODWICK, COMMISSIONER ROHR, AND COMMISSIONER BRUNSDALE

We determine 1/ 2/ that there is a reasonable indication that an industry in the United States is materially injured by reason of imports allegedly sold at less than fair value, and by reason of allegedly subsidized imports of oil country tubular goods (OCTG) from Israel.

The imports in these investigations, when cumulated with other OCTG imports subject to investigation, 3/ increased in volume and market share during a period when the domestic industry was experiencing a severe downturn in all performance indicators. Although the overall condition of the industry improved slightly in 1984, performance in most areas deteriorated in 1985. Evidence of underselling by the imports in these investigations, together with data showing domestic price depression, provide a reasonable indication that the allegedly unfair imports were a cause of material injury to the domestic OCTG industry.

Like product/domestic industry

The imported product in these preliminary investigations is oil country tubular goods, which includes casing, tubing, and drill pipes for use in

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1/ Chairwoman Stern determines that there is a reasonable indication that an industry in the United States is experiencing material injury or is threatened with material injury.

2/ 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.

3/ This countervailing duty determination is based on aggregate import data obtained by cumulating imports from Israel with imports from Canada and Taiwan. Commissioner Eckes and Commissioner Lodwick also cumulated imports from Israel with those of Argentina. This antidumping determination is based on aggregate import data obtained by cumulating imports from Israel with imports from Argentina, Canada, and Taiwan.

drilling oil and gas wells and for transporting oil and gas to the surface. In recent investigations on these same products, the Commission determined that seamless and welded OCTG were one like product, 4/ as were green tubes and finished OCTG. We therefore determined that drill pipe was a separate like product from casing and tubing. 5/ No evidence was presented in these cases to change our determination as to the like product. 6/ 7/

Counsel for foreign producers in these investigations and in prior investigations covering the same product cited differences between seamless and welded OCTG. They argued that seamless OCTG are produced and finished by different processes, are higher in price, and are preferable in many uses to welded goods. 8/ However, we see no reason to change our previous finding that certain welded pipes and tubes, such as the products of Lone Star Steel,

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4/ Oil Country Tubular Goods from Argentina, Canada, and Taiwan, Invs. Nos. 701-TA-255 and 256, Invs. Nos. 731-TA-275-277 (preliminary), USITC Pub. 1747 (Sept. 1985); see also, Oil Country Tubular Goods from Brazil, Korea, and Spain, Invs. Nos. 701-TA-215-217 (Final), USITC Pub. 1633 (Jan. 1985); 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).

5/ Data in this investigation are for all oil country tubular goods, including drill pipe, which accounts for less than one half of one percent of U.S. producers' domestic shipments in 1985. Were drill pipe excluded from these investigations, the trends in the economic indicators the Commission considers would be the same. Report to the Commission ("Report") at A-12. 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, the effect of the allegedly unfairly traded imports are to be assessed by examining 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).

6/ In the current investigations, as in previous investigations, Commissioner Eckes and Commissioner Lodwick do not find that drill pipe is a separate like product. Therefore they find one domestic OCTG industry.

7/ Commissioner Brunsdale has serious reservations regarding the definition of the "like product" in these investigations. Should a final investigation occur, she would reexamine this issue. At this time, she does not wish to foreclose the possibility of determining that drill pipe does not constitute a separate like product.

8/ Report at A-12.

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.

For purposes of these preliminary investigations, we determine that there is one domestic OCTG industry producing seamless and welded casing and tubing, including green tubes, and drill pipe. 10/ 11/

Condition of the domestic industry

In previous investigations, the Commission found that the domestic OCTG industry enjoyed a prosperous year in 1981, but that its condition declined dramatically during the next two years. 12/ Although 1984 showed minor reversals of this trend, the general decline of the industry continued in 1985. 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, some of these firms either abandoned or delayed their planned expansions. The trend has continued, with domestic producers' capital expenditures falling from $4.8 million in 1984 to $1.9 million in 1985. 13/

9/ American Petroleum Institute (API) specifications for many grades of casing and tubing specify that either seamless or welded pipe is acceptable. Id. at A-4, and A-12.

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

11/ Commissioner Brunsdale notes that the producers of OCTG also produce a variety of other products using the same plant and equipment. Should a final investigation occur she would seek to receive more detailed information concerning the substitutability of supply of these various products and the cost allocations among the lines of production to enable her to determine the propriety of applying section 771(4)(D) in evaluating the condition of the domestic industry.

12/ Oil Country Tubular Goods from Brazil, Korea, and Spain, Invs. Nos. 701-TA-215-217 (Final), USITC Pub. 1633 (Jan. 1985), at 8.

13/ Id. See also, Report at A-13, A-17-18.

Domestic production declined sharply between 1982 and 1983, recovered partly in 1984, and lost ground again in 1985. That year production was 22.2 percent below 1982 levels. 14/ Capacity declined 8.2 percent between 1982 and 1984 and recovered partially in 1985. 15/ Capacity utilization, which was at 10.2 percent in 1983, rose to 31.6 percent in 1984 as production rose and several firms closed their OCTG facilities. Capacity utilization declined from 1984 to 1985. 16/ Total shipments of OCTG rose from 1983 to 1984, but decreased in 1985 to 94 percent of the 1984 level, which was itself only 87 percent of the 1982 level. 17/

Employment and the number of hours worked fluctuated, but in 1985 the number of workers producing OCTG was 41.9 percent below the 1982 figure, and the number of hours worked also declined. 18/ Total hourly compensation decreased by 8.5 percent from 1983 to 1984, and regained only part of that loss in 1985. 19/

Domestic producers' net OCTG sales plummeted from $2.0 billion in 1982 to $365 million in 1983. Thereafter, net sales increased to about $1 billion in 1984 and 1985, 20/ but profits did not follow suit. In 1982, operating income from OCTG operations stood at 17.2 percent of net sales. Operating losses replaced operating income in 1983, and in 1984 and 1985 constituted 14.9 percent and 11.4 percent of sales. In the latter year, seven out of twelve

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14/ Report at A-13.
15/ Id. at A-13.
16/ Id. at A-14.
17/ Id. at A-14; Oil Country Tubular Goods from Argentina, Canada, Taiwan, Invs. Nos. 701-TA-255-256, and 731-TA-275-277 (Preliminary), USITC Pub. 1747 (Sept. 1985) at 6.
18/ Report at A-15.
19/ Id. at A-16.
20/ Id. at A-17.

firms reported losses. 21/ In the aggregate, the responding firms experienced a negative cash flow in their OCTG operations in 1985 as compared with a positive cash flow in 1982. We therefore determine that there is a reasonable indication that the domestic OCTG industry is experiencing material injury. 22/ 23/

Cumulation

Section 612 of the Tariff and Trade Act of 1984 (the 1984 Act) amended section 771(7)(C)(iv) of the Tariff Act of 1930. 24/ 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; 25/ and (3) they are subject to an investigation. For the purposes of our preliminary determination in this countervailing duty investigation, we cumulated imports from Israel with imports from Canada and Taiwan; and for the purposes of our preliminary determination in this antidumping investigation, we cumulated imports from

21/ Id. at A-17.
22/ 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.
23/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See, American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984), aff'd sub nom., Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).
24/ 19 U.S.C. § 1677(7)(C)(iv).
25/ This requirement is derived from the legislative history of the statute. H.R. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984).

Israel with imports from Argentina, Canada, and Taiwan.

We determine that domestic OCTG and imports of OCTG from Israel, Argentina, Canada, and Taiwan compete with each other. 26/ To reach this determination, we first found that these products are fungible. Also, the domestic product and imports from Israel, Argentina, Canada, and Taiwan 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 Israel enter through the port of Houston and pass through the same channels of distribution as the domestic product.

Respondents argued that Canadian OCTG, unlike those of Argentina and Taiwan, enter the United States through Detroit, Buffalo, and other northern ports, rather than through Houston, and serve different markets, such as the Appalachian and Rocky Mountain regions. However, at least one Canadian producer maintains a sales office in Houston. 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, Argentine, Taiwanese, and Israeli imported OCTG are directed. 27/

We determine that imports from Argentina, Canada, Taiwan, and Israel were marketed within a reasonably coincident period. The record shows that

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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 imports are simultaneously present in the market.

27/ Oil Country Tubular Goods from Argentina, Canada, Taiwan, Invs. Nos. 701-TA-255-256, and 731-TA-275-277 (Preliminary), USITC Pub. 1747 (Sept. 1985) at 10.

domestic shipments and imports from these four countries maintained a share of the market, and therefore were simultaneously present in the market during the entire period of this investigation. The record also indicates that the prices for domestic OCTG and the imports from Argentina, Canada, Taiwan, and Israel were reasonably comparable. 28/

Finally, for purposes of this preliminary antidumping investigation, we also determine that imports from the four countries may properly be considered under investigation. Imports from Argentina, Canada, and Taiwan are subject to ongoing antidumping investigations.

For purposes of this countervailing duty investigation, we further determine that imports from Canada, Taiwan, and Israel may properly be considered under investigation since they are subject to ongoing countervailing duty investigations, but that imports for Argentina may not be so considered. Argentine imports are subject to a countervailing duty order issued in November 1984, which in our view is too remote in time to permit said imports to be considered under investigation. 29/

Reasonable indication of material injury by reason of allegedly subsidized imports and imports allegedly sold at LTFV from Israel

The market share for imported OCTG supplied from all sources increased from 1983 to 1984 and then declined from 1984 to 1985. In contrast, during

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28/ Id. at A-10 and App. D; Report at A-25.

29/ Chairwoman Stern and Commissioner Rohr find it unnecessary to "cross cumulate" allegedly subsidized imports from Israel with imports from Argentina allegedly sold at less than fair value to reach their affirmative determination in this countervailing duty investigation.

Commissioner Brunsdale does not cross cumulate in this case. For further explanation of her reasoning on this issue, see Certain Brass Sheet and Strips, Invs. Nos. 701-TA-269 and 270 (Preliminary), and 731-TA-311-317 (Preliminary) (April 1985) at fn. 28.

Commissioner Eckes and Commissioner Lodwick did cross cumulate. Commissioner Eckes notes that he would have made the same determination had he not cross cumulated.

the 1983-1985 period, the aggregate market share for the imports cumulated in this antidumping investigation rose steadily from 3.3 percent to 8.2 percent, and the aggregate volume of such imports also rose from 1983 to 1985.

The aggregate import volumes in this countervailing duty case also rose. The aggregate market share for the imports climbed from 2.2 percent in 1983 to 7.3 percent in 1985. 30/

We note that the domestic industry's market share fell from 53.0 percent in 1983 to 40.5 percent in 1984, and increased in 1985, but not up to the 1983 levels. 31/ 32/

During the period under investigation, the Commission obtained almost complete quarterly data for 11 domestic OCTG categories. Prices fell during January-March 1983 through October-December 1985 for eight of the categories. 33/ This depression of domestic prices and profitability may in part result from the presence of the allegedly unfairly traded imports in the market.

In these investigations, the Commission obtained three direct quarterly price comparisons between domestic and imported OCTG casing from Israel. 34/

30/ Report at A-23.
31/ Id. at A-23. Although the domestic market share rose in 1985, the volume of domestic shipments did decline.
32/ Commissioner Brunsdale notes that the 1984-1985 increase in the market shares of dumped and subsidized cumulated imports between 1984 and 1985 occurred while the market share of domestic OCTG was also increasing from 40.5 percent to 45.9 percent and that of all other imports dropped from 54.0 percent to 45.9 percent. Thus the increased market shares of the cumulated imports may have been at the expense of other imports and not at the expense of domestic producers. Should a final investigation occur she would seek to explore this possibility further.
33/ Report at A-23.
34/ Commissioner Brunsdale generally does not find evidence of underselling probative of the issues of price undercutting or causation. See Certain Welded Carbon Steel Pipe and Tubes from Turkey and Thailand, Invs. Nos. 731-TA-252 (Final), and 701-TA-253 (Final) (Views of Vice Chairman Liebeler and Commissioner Brunsdale at 44-45); Office of Economic Memorandum EC-J-010.

All three comparisons showed underselling by the Israeli imports. The Commission has also obtained 31 direct quarterly price comparisons between domestic and imported OCTG from Argentina, Canada, and Taiwan. Twelve of the 31 price comparisons between the domestic and imported OCTG showed underselling by the imported products. 35/

We note that several countries from which OCTG is imported have reduced their import levels because of voluntary restraint agreements (VRAs). Because of this, we would expect the domestic industry's condition to have improved more than it has. 36/ Its continuing difficulties may in part be due to the entry of imports from countries such as Israel which have not signed VRAs and whose increased market share may be replacing that of restrained countries and inhibiting U.S. producers' sales. 37/

We recognize that there may have been several causes of injury to the domestic OCTG industry during the period of investigation, including decreased demand for the product. However, the Commission is not to weigh causes in an antidumping or countervailing duty investigation at either the preliminary or final stage. 38/ 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

35/ Report at A-26; Oil Country Tubular Goods from Argentina, Canada, and Taiwan, Inv. Nos. 701-TA-255-256 and 731-TA-275-277 (Preliminary), USITC Pub. 1747 (Sept. 1985), at 12.
36/ Commissioner Brunsdale notes that while the entering of VRAs could be responsible for the domestic industry's improvement in certain indicators, it is premature at this preliminary stage to state that the domestic industry's condition should have improved even more than it has thus far. Further examination of this issue is necessary should a final investigation occur.
37/ Report at A-41-42.
38/ Commissioner Brunsdale does not weigh causes in title VII investigations and believes that further discussion of possible causes is unnecessary.

and profits, but also lost market share as the allegedly unfair imports gained market share during the period of investigation.

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 Israel 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 Israel that are allegedly sold at less than fair value.

VIEWS OF VICE CHAIRMAN LIEBELER

I determine that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of allegedly subsidized imports of oil country tubular goods (OCTG) from Israel. I make the same determination with regard to imports of OCTG from Israel allegedly sold at less than fair value (LTFV).

Cumulation

Petitioners urge the Commission to cumulate imports of OCTG from Israel with imports from Argentina, Canada, and Taiwan. Imports from the latter three countries are subject to current antidumping investigations. Imports from Canada and Taiwan are also subject to current countervailing duty investigations, and Argentina is subject to a final countervailing duty order issued in 1984.

Since only imports that compete with each other may be cumulated,[1] I am not cumulating imports from Israel with

[1] The Commission is directed cumulatively to "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. 19 U.S.C. 1677(7)(C)(iv) (1980, 1985 Supp.) (emphasis added).

imports from Canada. The OCTG from the two countries are used in separate geographical markets. Virtually all imports from Israel enter the U.S. through the port of Houston and are sold in the Gulf Coast and Southwest area. In contrast, most Canadian OCTG enter through northern ports and are used in the Appalachian and Midwestern regions. Moreover, the general pattern of distribution of Canadian imports appears distinct from Israeli imports.

Furthermore, I do not cumulate imports from countries subject to outstanding countervailing duty or antidumping duty orders with imports from countries that are currently the subject of an investigation. The language of the 1984 Act refers to "imports from two or more countries of like products subject to investigation * * *"[2] Thus, the plain meaning of the statute precludes a broader interpretation. In addition, it would be contrary to the injury requirement in Title VII to cumulate products from countries subject to a final countervailing duty or antidumping order with imports from countries that are

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[2] 19 U.S.C. 1677(7)(C)(iv) (1980 & 1985 Supp.) (emphasis added).

currently under investigation. The purpose of the investigation undertaken by the Commission is to determine whether the dumped or subsidized imports from the countries under investigation are causing or threatening to cause material injury to the domestic industry. Whatever injury was caused or was threatened by imports of the like product has been remedied by that order. Thus, it makes no sense to cumulate imports subject to a final order with those from countries under investigation.

Additionally, I do not cross-cumulate dumping and subsidy investigations for several reasons.[3] First, Commission treatment of foreign government subsidization of imports and sales by private firms at LTFV is governed by different sections of Title VII. This raises a presumption that Congress intended to treat the two activities separately. Second, historical Commission practice has been not to cross-cumulate. This practice existed prior to the enactment of the statutory cumulation

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3 In Bingham and Taylor, Div. Virginia Industries, Inc. v. United States, Slip. Op. 86-14 (Feb. 14, 1986), the Court of International Trade stated that cumulation across statutes is required. The Commission has voted to appeal Bingham to the Court of Appeals for the Federal Circuit. Until this issue is resolved I shall continue not cumulating across statutes. I believe the statutes preclude cross-cumulating.

provisions. Obviously, Congress could have chosen to alter this practice but did not do so. Third, the wording of the operative sections of Title VII precludes cross-cumulation. For example, the language of the coutervailing duty section clearly requires that the injury be by reason of subsidized imports, not subsidized and dumped imports.[4] If the Commission was to cross-cumulate, it would be acting outside its statutory mandate. The Commission simply cannot make an affirmative determination in, e.g, a countervailing duty case based on dumped imports.[5]

Thus, in the antidumping investigation I would cumulate imports from Israel with imports from Taiwan and Argentina. In the countervailing duty investigation I would cumulate imports from Israel with imports from Taiwan. Cumulative market penetration is 2.1 percent and 1.2 percent, respectively.

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[4] The Commission is to examine whether an industry in the United States is materially injured or threatened with material injury "by reason of imports of that merchandise * * *" 19 U.S.C. 1671 (a)(2) (1980, 1985 Supp.) (emphasis added).

[5] For a more detailed explanation see Certain Carbon Steel Products from Austria, et al., Nos. 701-TA-225-234 (Preliminary) and 731-TA-213-217, 219, 221-226, and 228-235 (Preliminary), USITC Pub. No. 1642, at 43-48 (Views of Vice Chairman Liebeler).

Injury and Causation Analysis

It is rational to assume that market penetration ratios of 2.1 and 1.2 are too small to have much or any effect on the U.S. market price of oil country tubular goods. Generally, I presume that there is no reasonable indication of material injury, or threat of material injury, when the market penetration ratio is less than 2.5 percent.[6] Generally speaking, a small market penetration ratio for a product implies that the product will have little effect on the equilibrium price of the product. A small market penetration ratio for a product can have a disproportionate effect on price only if both the demand for the product is highly inelastic and the supply of the product is highly inelastic.[7]

6
See accompanying text under footnote 8, infra.

7
Elasticity of demand is a measure of responsiveness of quantity demanded to price changes. Mathematically it is expressed as the percentage change in quantity demanded divided by the percentage change in price. Inelastic demand means that the quantity demanded changes by a smaller percentage than does price. The elasticity of supply measures the responsiveness of supply to price changes in the same manner. P. Samuelson & W. Nordhaus, Economics 380-384 (12th ed. 1985).

The demand for OCTG is likely to be highly inelastic for several reasons. First, OCTG is not directly consumed but is a factor in the production of oil and natural gas; the demand for oil and natural gas are both highly inelastic, especially in the short run. Second, there are no good substitutes available for OCTG in the production of oil and natural gas. Third, the cost of OCTG as a share of the cost of producing oil and natural gas is small.

However, for a small import penetration ratio to have a disproportionate effect on price, both the demand for the product and the supply of the product have to be highly inelastic. Although the demand for OCTG is likely to be highly inelastic for the reasons given above, there is no evidence to suggest that supply is highly inelastic. As a result, a small import penetration ratio will not have a disproportionate effect on price.

Threat

There is no reasonable indication of threat of material injury. The standard for an affirmative threat determination is that the danger be real and imminent.

The actual data on which I base my determination are confidential. Generally stated, however, there is nothing in the record to indicate substantial idle capacity in Israel. There are no plans to increase that capacity. One must remember that even if Israel's facilities were operating at 100 percent capacity, production would still represent just a tiny fraction of U.S. consumption. Similarly, there is no evidence that there are large inventories of the allegedly subsidized or dumped OCTG in the United States available for sale. U.S. importers' inventories at year end 1985 were just 2.5 percent of importers' 1985 shipments of Israeli OCTG.

Discretion

It has been argued that commissioners do not have discretion to use rebuttable presumptions when analyzing the statutory criteria under Title VII.[8] In one recent decision, a dissenting commissioner stated that my use of

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8 It is very difficult to join issues with the majority. Because one commissioner refuses to exchange draft opinions prior to public release of opinions, it has become common practice not to exchange opinions. I believe exchange of drafts between the Commissioners is both desirable and feasible.

the 2.5 presumption was a "burdensome requirement" on petitioners, such that "domestic petitioners must use abstract economic theories and models, along with factual data, to help demonstrate that imports are, in fact, injuring them."[9] He continued:

> Not only is there no statutory basis for such a presumption but adherence to this practice, in effect, requires each domestic industry seeking relief to hire a consulting economist, thus adding to the costs of all parties -- domestic and foreign -- to our proceedings. In addition such an approach makes it more difficult for very small firms with limited financial resources to rely on trade remedies to offset dumped or subsidized imports.[10]

One should not expect to find express permission to use economics when interpreting a statute. Economic, accounting, and financial analysis are used in many areas of the law to analyze the relevant facts. It is accepted practice among regulatory agencies to use economic, accounting and finance principles to analyze their statutes and literally thousands of court decisions could be cited implicity approving this practice.[11]

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[9] Certain Ethyl Alcohol from Brazil, Invs. Nos. 701-TA-239 (Final) and 731-TA-248 (Final), USITC Pub. No. 1818, at 48.

[10] Id. [footnote omitted]

[11] See, e.g., Matsushita Electric Industrial Co., Ltd., v. Zenith Radio Corp., 54 U.S.L.W. 4319 (1986), where the Supreme Court used economics to interpret Federal Rule of Civil Procedure 56.

The argument that a commissioner's use of economics places an unreasonable burden on the public is specious. Economics is an analytical tool, nothing more, which is helpful in evaluating the large body of data before us. It is not necessary, and it has not been the general practice, for parties to hire economists in Title VII cases.

Precise analytical tools substitute not for the law, but for seat-of-the-pants judgments about which data are more important in a particular case.[12]

There are two reasons for choosing a 2.5 percent de minimus threshold: first, because it is small and, therefore, highly unlikely to have more than an inconsequential or insubstantial adverse impact on the domestic industry; and second, because such market share is very likely to signify a competitive process and to reflect only dumping or subsidization in a "technical" sense.

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[12] This, in turn, makes determinations more predictable and allows the public to judge in advance which petitions have merit.

Any time a foreign producer exports products to the United States, it harms the domestic industry that competes in that market. An increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce finding of dumping or subsidy and a Commission finding of material injury were all that were required for an affirmative determination, there would be no need to inquire further into the question of causation.

Congress has recognized that the mere presence of less than fair value imports is not sufficient to establish causation.[13] Thus, the inquiry into causation must proceed. The Senate Finance Committee instructed the Commission to search for a causal link:

> While injury caused by unfair competition, such as less-than-fair-value imports, does not require as strong a causation link to imports as would be required in determining the existence of injury under fair trade import relief laws, the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal

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13 "[T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports." Report on the Trade Agreements Act of 1979, Senate Finance Committee, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

> link between the less-than-fair-value imports and the requisite injury. The determination of the ITC with respect to causation is, under current law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the ITC.[14]

This "complex and difficult" judgment begins with an examination of the import penetration ratio. There must be some import penetration level which is so insubstantial that it cannot result in material injury.

When the industry demand and supply curves have low elasticities, a given import penetration will have a large impact on the domestic industry. The more inelastic the demand and supply curves, the greater will be the effect on price of a given change in imports. Two examples are provided as illustration.

If the domestic market for OCTG were like that depicted in Figure I (below) there might be a material effect on the domestic industry. A relatively small increase in supply from S to S1 may result in a precipitous fall in price:

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14 *Id.*

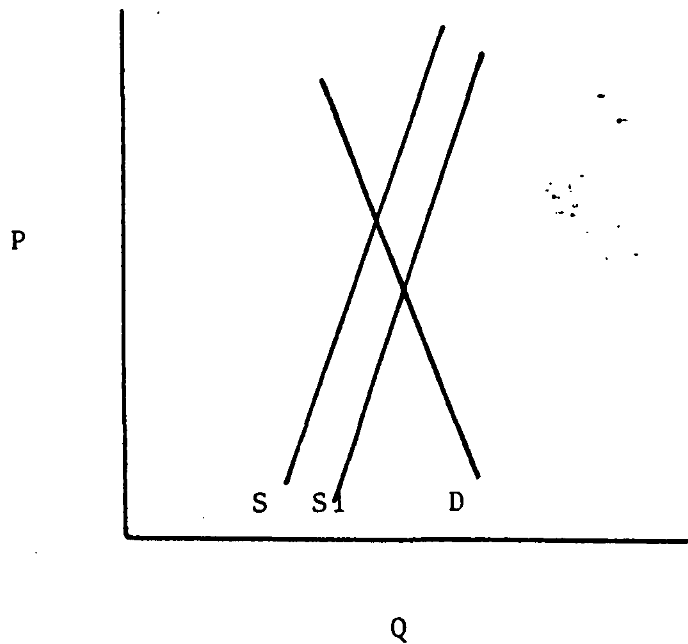

FIGURE I

On the other hand, in the more general case, where supply and demand are somewhat more elastic, as in Figure II, a 2.5 percent import penetration ratio even if all of it were a consequence of unfair trade, cannot have a significant enough effect on price to result in material injury or threat thereof. The shift in the curve from S to S1 results in an inconsequential drop in price:

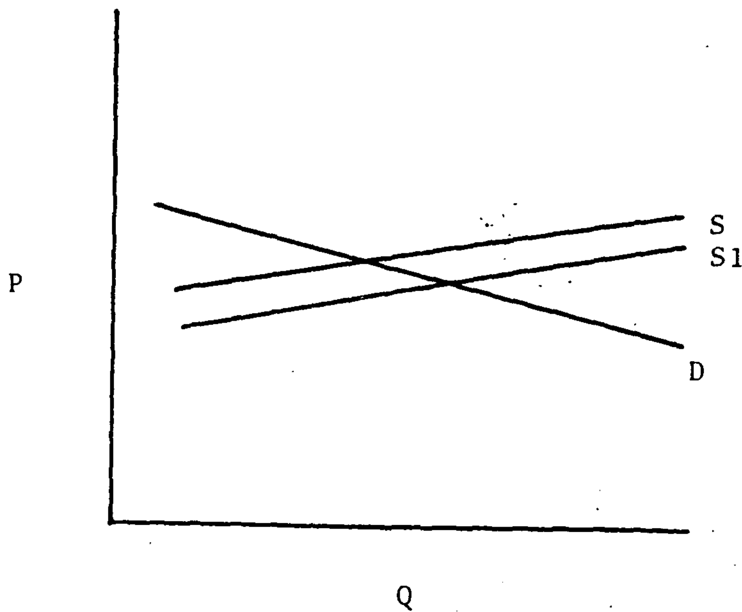

FIGURE II

Therefore, in the absence of a showing that the supply and demand curves in the domestic market are sufficiently inelastic, I presume that a 2.5 percent import penetration ratio cannot result in material injury.

A second reason for using this de minimus threshold rests on the legislative history on "technical dumping." Import penetration ratios of 2.5 percent or less are more likely to represent technical dumping. In enacting the unfair trade laws, Congress was not concerned with imports that were simply priced at the level necessary to enable the producer to sell his product:

(1) Technical dumping. The concept, underlying a number of International Trade (Tariff) Commission determinations, is wholly consistent with the basic philosophy and purpose of the Antidumping Act. <u>This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices</u>. As is explained below, this distinction is of importance in the context of recent suggestions that the Antidumping Act should not be applied to imports of articles in short supply.

Conceptually, the Antidumping Act is not directed toward forcing foreign suppliers to sell in the U.S. market at the same prices that they sell at in their home markets. Rather, the Act is primarily concerned with the situation in which the margin of dumping contributes to underselling the U.S. product in the domestic market, resulting in injury or likelihood of injury to a domestic industry. Such injury may be manifested by such indicators as suppression or depression of prices, loss of customers, and penetration of the U.S. market. When clear indication of injury, or likelihood of injury, exists there would be reason for making an affirmative determination. <u>The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry</u>.

<u>On the other hand, the Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price. Such so-called 'technical dumping' is not anti-competitive, hence, not unfair;</u>

> it is <u>procompetitive in effect</u>. The Commission has recognized the concept of technical dumping and in a number of cases has made a negative determination in the circumstances of such dumping. It is to be noted that in the usual short supply situation or inflationary period, imports--regardless of home market price--would normally be sold to the domestic market at a price no lower than the prevailing U.S. market price, thus indicating that when dumping exists in such situations, it is likely to be a case of technical dumping in which there is not likely to be injury to a domestic industry. <u>In other words, importers as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear</u>. But if there is a margin of dumping in a tight supply situation, it may be due to technical reasons, which would not be injurious to domestic industries.[15]

Congress was not concerned with all dumping. Rather, Congress focused on plans "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."<u>Id</u>.*

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15 <u>Report on the Trade Reform Act of 1974</u>, Senate Finance Committee, S. Rep. No. 1298, 93rd Cong. 2d Sess. at 179 (1979) (emphases added). Because of the virtually identical language and history of Countervailing and Antidumping Duty Provisions of the Tariff Act of 1930, 19 U.S.C. Sections 1671, 1673 (1982) respectively, logic compels me to extend the reasoning embodied by this "technical dumping" analysis to subsidy cases.

The pricing policy of an importer may be either pro-competitive or anti-competitive. A rational and profit-maximizing importer/competitor will price its product as high as the market will bear, unless there is some possibility of gain to be derived by unfair price competition. Two possibilities exist: first, the importer is pricing his product and seeking sales as part of an effort to meet competition. Thus, he is seeking to sell at the highest price possible expecting that if he ever sells at too high a price, there will be a plethora of other suppliers available to take his place. Second, the importer could try to price his product below the market price, and thereby drive his competitors out of the market and gain some measure of monopoly power.

Congress recognized that importers are normally interested in maximizing their return. The Commission must use its best judgment to determine whether this profit maximization is part of a pattern of anticompetitive "unfair" price discrimination or subsidization, or alternatively, an imperfect reflection of the normal competitive process.

In a typical case the Commission is confronted with a a large body of data from which it must discern an

underlying story that explains the facts. The staff report contains information on: (1) the financial condition of the domestic industry; (2) the prices of the domestic and imported products; and (3) the volume and market share of the imported product.

How much reliability should we attach to the data? Volume and relative market share are the most reliable data. They are generated by third parties and easily verified. Profit data is self-generated by the parties and is frequently provided on a product-specific basis requiring subjective cost allocations. Such data is difficult to verify. Price data is also provided by the parties and is usually not verified beyond telephone confirmations.

Moreover, price data may reflect a variety of phenomena. First, the suppliers may not be selling a homogeneous product. If the products are not identical, there is no reason to suppose that they should sell at an identical price.[16] Second, suppliers may be unaware of

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[16] Commission opinions have traditionally found technical dumping only when no underselling has been found or, in cases when underselling has been found, when such underselling has been deemed "commercially insignificant". In the situation where the products under investigation are identical in <u>every</u>

(Footnote continued on next page)

the exact price at which other suppliers are concluding contracts because of: (a) a lack of homogeneity of the product; (b) the fact that the contracts for sale are not concluded on a public anonymous market; and (c) possible antitrust concerns. Third, there may be inaccuracies in the data that the Commission receives. Finally, there is at least the theoretical possibility that a supplier, although selling a product identical to his competitors, and fully aware of the market price of that product, is attempting to undersell them in order to damage their businesses. Such behavior is something akin to predatory pricing.

Determining the plausibility of each of these explanations is the implicit task of the Commission in deciding the cases before it. At first blush it might

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(Footnote continued from previous page) characteristic, this analysis would be correct. Seldom, if ever, will the Commission be dealing with such a product market. Even when dealing with products such as wheat, a homogeneous product by most standards, one might find that imports were underselling (overselling) the domestic product if certain characteristics of the product not inherent to the product, i.e., certainty of delivery, risk of loss, were worse (better) than those offered by domestic producers. Thus, the price "needed to make the product competitive in the U.S. market" could be lower or higher than the price charged by domestic producers. Further, when dealing with heterogenous products, the problems with straightforward price comparisons are compounded inordinately for obvious reasons.

seem that the question whether the importer is simply trying to meet the competition or, alternatively is seeking to underprice the competition, could best be resolved by examining price data. However, there is no plausible way to separate and distinguish the possible explanations on the basis of the price data we receive. As explained above, it is of necessity unreliable and incomplete. There is fortunately an alternative way of approaching the question.

An assertion of unfair price competition in the form of dumping or subsidization should be accompanied by a factual record which can support such a conclusion. Foreign firms and governments exporting to the United States should be presumed to be rational. Actions which they take should be presumed to be in their self-interest. Therefore, if the factual setting in which the LTFV or subsidized sales take place does not support any rational self-serving goal to be served by unfair price competition, it is reasonable to conclude that such sales must be credited to one of the benign explanations, and injury to the industry should not be treated as being "by reason of" such imports.

In most cases, unfair price competition by a competitor would be irrational. An examination of the

wheat farming industry illustrates this point. It would be irrational for a wheat producer to undersell the market and thereby drive out his competition because he could never hope to grow large enough to ever raise his price above the market price by dint of his now greater market power. Similarly in the various markets which we examine, it is reasonable to conclude that unless a foreign firm has a fairly large market share, it cannot hope that by charging less than the market price it can drive out competitors and thereby gain the requisite market power to charge more than the competitive equilibrium price. I have chosen a conservative market share of less than 2.5 percent at a preliminary stage as inconsistent with even the most optimistic rational expectation of gaining an advantage by selling at less than the market price.

It has been suggested that the Commission does not have the power to adopt a rebuttable *de minimus* standard. I believe this to be incorrect. Congress chose not to determine cases itself. Instead, it delegated this power to the Commission. Aside from guidance about weighing causes, technical dumping, and cumulation,[17] Congress

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[17] Congress' attention to the cumulation issue in its 1984

(Footnote continued on next page)

has not specifically instructed the Commission on how it is to conduct its investigations and decide the cases before it. The use of a de minimus standard is common in many areas of the law, and although it was not specifically mandated by Congress in our statutes, neither was it precluded.

(Footnote continued from previous page)
revision of the statute gives further support to the use of a de minimus standard. Congress' mandate to cumulate in certain cases demonstrated a sensitivity to the issue of import penetration. It was precisely because Congress was aware that certain levels of imports were insufficient to satisfy the causation standard that Congress required a summation of imports across nations in certain cases.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On March 12, 1986, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Lone Star Steel Co., Dallas, TX, and CF&I Steel Corp., 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 1/ that are alleged to be subsidized by the Government of Israel and that are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective March 12, 1986, the Commission instituted investigation No. 701-TA-271 (Preliminary), under section 703 of the Tariff Act of 1930, and investigation No. 731-TA-318 (Preliminary), under section 733(a) of the same 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 April 28, 1986. 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 March 19, 1986 (51 F.R. 9540). 2/ The Commission held a public conference in Washington, DC, on April 7, 1986, 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 on April 21, 1986. The Commission is also currently conducting investigations on oil country tubular goods from Argentina, Canada, and Taiwan. Information on the types of products imported from these countries and on the foreign industries is available in the preliminary report in those investigations (USITC Publication 1747) and in the prehearing report, released on April 18, 1986. 4/

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 (TSUS).

2/ Copies of the Commission's and Commerce's Federal Register notices are 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.

Nature and Extent of the Alleged Subsidies

Petitioners allege that Israeli oil country tubular goods exported to the United States are subsidized by the Israeli Government through the programs outlined below:

The Law for the Encouragement of Capital Investment (ECIL) is legislation which provides various financial incentives to aid in economic development. Various of these benefits are alleged to be countervailable. For example, the ECIL offers cash payment grants for investment projects to encourage regional development. Certain firms may qualify for preferential corporate tax rates and accelerated depreciation. The Government also offers rebates of commercial interest rates under the ECIL. 1/

Three export credit funds offer loans to finance export activities. An Export Promotion Fund offers preferential credit terms for working capital loans. The Export Shipments Fund provides similar financing for foreign accounts receivable. Also, the Import-for-Exports Fund allows firms to purchase imported material for use in the manufacture of exported products at rates less than those of commercial banks. Other Government loans are available to promote export growth through marketing. 2/

A Government-owned corporation offers foreign trade risk insurance to protect exporters from losses due to certain delays in devaluation of the shekel. 3/

In addition to the ECIL, accelerated depreciation and preferential tax rates are available to manufacturers under the Encouragement of Industry (Taxes) Law. The Government offers research grants to increase exports and petitioners allege that other benefits are also available. 4/

Nature and Extent of the Alleged Sales at LTFV

On the basis of comparisons of U.S. prices with the estimated foreign market value, petitioners allege that oil country tubular goods from Israel are being sold in the United States at LTFV margins ranging from 172.1 to 304.1 percent. Petitioners allege that there is no home market for Israeli oil country tubular goods, and they are unaware of any third-country sales. The foreign-market value, therefore, is based on a constructed cost of production using Israeli input prices. For the U.S. prices, petitioners used the customs values of imported Israeli oil country tubular goods during July-December 1985. 5/

1/ Petition in the Matter of Oil Country Tubular Goods from Israel (cvd), p. 45-49.
2/ Ibid. pp. 50-53.
3/ Id. pp. 53-54.
4/ Id. pp. 54-55.
5/ Petition in the Matter of Oil Country Tubular Goods from Israel (antidumping), pp. 47-52.

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.

In 1985, according to data received in response to Commission questionnaires in these investigations, casing accounted for 84.1 percent of U.S. producers' shipments (on a tonnage basis), tubing accounted for 13.8 percent, and drill pipe for 0.3 percent. Other products ("green tubes" 1/ and reject material) accounted for 1.8 percent of U.S. producers' shipments.

Oil country tubular goods are generally produced according to standards and specifications established by the American Petroleum Institute (API). The API is a trade organization involved in writing basic minimum design standards for materials used in the oil and gas industries to ensure interchangeability of parts and reliability. The API has worked to standardize 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

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1/ An industry term referring to an unfinished seamless hollow steel product with low carbon content that will be further processed and upgraded.

under every combination of stresses. The 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 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. Oil country tubular goods are inspected and tested at various stages during production to ensure strict conformity to API or proprietary specifications. Seconds, rejects, and other low-quality noncertified material may be used in shallow wells and under drilling conditions where high-strength and high-quality pipe are not required.

According to responses to Commission questionnaires in these investigations, 80 percent of total shipments in 1985 conformed to API specifications, 11 percent were seconds, rejects, and downgraded products, and 9 percent were products made to proprietary specifications. Ninety-five percent of 1985 Israeli imports were API certified; ***.

Oil country tubular goods exist in a wide range of API and proprietary grades, reflecting the strength of the product and the conditions under which it has been tested for use. Lower-strength grades are used where less pressure will be encountered in drilling and production. Conversely, higher grades of tubes are used when more strength is required. Most oil country tubular goods are of carbon steel. A higher-strength product (typically casing) can be obtained by heating a carbon steel tubular product, rapidly cooling it with water, and then slightly reheating and slowly recooling it. This "quench and temper" process raises minimum yield strength and increases hardness of a green tube or "green shell." 1/ A similarly strong tubular product can also be produced by using more expensive metal alloys.

According to responses to Commission questionnaires in these investigations, 67 percent of domestic shipments in 1985 were of the lower carbon grades (comparable to K55 and below), 27 percent were of the higher grades (comparable to C75 and above), and the rest were seconds or rejects. Imports of Israeli API certified oil country tubular goods were all of the lower carbon grades during the period of these investigations.

Oil country tubular goods are of either welded or seamless construction. 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. In 1985, slightly less than one-half of all shipments of U.S.-produced casing and tubing, and virtually all drill pipe, were of seamless construction. Data in the body of this report are presented for all oil country tubular goods; data are presented for welded oil country tubular goods and for seamless oil country tubular goods in appendix D. All of the imports from Israel have been of welded construction during 1983-85.

Welded oil country tubular goods are formed by passing flat-rolled products through a series of forming rollers that form the products into

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1/ 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.

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. Although most of the welded oil country tubular goods are seam-annealed 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. Some welded products then undergo a process called "full-body normalizing," where the entire tube is heated to a very high temperature to make the molecular structure of the weld identical to that of the rest of the tube. 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.

According to oil country tubular goods end users, seam-annealed welded products are more commonly used when high strength is not required, whereas seamless products are more typically used where greater pressures or hostile environments will be encountered in drilling and production. Full-body normalized welded oil country tubular goods are considered to be stronger than other welded products.

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 & 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.

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 threading, coupling, and application of a rust-preventive coating.

U.S. tariff treatment

The imported oil country tubular goods that are the subject of these investigations are classified in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the TSUS. Table 1 presents 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) (the final or 1987 rates), and designated Communist countries (col. 2 rates) 2/. These articles are not eligible for duty-free entry under the Generalized System of Preferences (GSP). Oil country tubular goods that are the product of Israel or of designated beneficiaries of the Caribbean Basin Economic Recovery Act enter free of duty.

U.S. Producers

There are 24 firms that are known to have produced oil country tubular goods in the United States during the period of these investigations. A number of these firms have ceased production of oil country tubular goods during the period under investigation: National Pipe and Tube Co. as of January 1983, Bethlehem Steel Corp. in March 1983, Wheeling-Pittsburgh Steel Corp. in July 1984, Quanex Corp. in October 1984, Central Steel Tube Co. and North American Pipe Corp. in November 1984, American Seamless Tubing, Inc. in August 1985, and Armco, Inc. in November 1985. These firms together accounted for 18 percent of U.S. producers' shipments in 1982. 3/ Several of the

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(d) of the TSUS. However, such rates do not apply where preferential treatment is afforded to products of developing countries under the GSP or the CBERA, or to products of Israel or of LDDC's under the Special rates of duty column.

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

3/ According to data submitted in the preliminary investigations on oil country tubular goods from Argentina, Canada, and Taiwan. For purposes of comparison in this report, data will occasionally be presented from 1982, which was a boom year for the industry, whereas 1983 was a year of severe depression.

Table 1.--Oil country tubular goods: U.S. rates of duty as of January 1, 1986 and January 1, 1987

(Percent ad valorem)

TSUS item No.	Oil country tubular goods covered	Rate of duty		
		Col. 1		Col. 2
		Jan. 1, 1986	Jan. 1, 1987	
	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--	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/	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----------	0.5%	0.5%	1%
610.40	Alloy steel--------------------	3.5% 1/	3.3% 1/	8.5% 1/
	Threaded or otherwise advanced:			
610.42	Other than alloy steel----------	6.3%	6%	20%
610.43	Alloy steel--------------------	7% 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-----	8.4%	8%	25%
610.52	Alloy iron or steel, except hollow bars------------------	8.4% 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.

remaining firms have shut down production in one or more of their oil country tubular goods plants, and most have idled facilities for some part of the period under investigation. Maverick Tube Corp. has filed for reorganization under the provisions of the bankruptcy laws. The largest producers include *** as shown in the following tabulation (in percent):

Firm and plant locations	Share of U.S. producers' shipments, 1985
***	***
***	***
***	***
***	***
***	***
Subtotal	***
Other firms	***
Total	100.0

U.S. Importers

Dozens of firms import oil country tubular goods into the United States; five firms have been identified as importers of the Israeli product. Questionnaire responses were received from all five of these importers. Imports in 1985 as reported in questionnaire responses accounted for all of the imports from Israel as identified by the Department of Commerce. In general, two types of concerns--independent trading companies and U.S. subsidiaries of foreign producers--import the product. Solcoor Inc. is a U.S. subsidiary of the Israeli producer, Middle East Tube Co. Ltd. (METCO). Four independent trading companies also reported imports of Israeli oil country tubular goods. Importers frequently act as distributors, warehousing the product and filling orders from inventory.

U.S. Consumption

The United States accounts for an estimated 65 percent of worldwide consumption of oil country tubular goods. Apparent U.S. consumption (U.S. domestic and intracompany shipments plus imports) dropped from 4.4 million tons 1/ in 1982 to 1.5 million tons in 1983, or by 66 percent (table 2). Apparent consumption subsequently increased by 165 percent from 1983 to 1984 and then fell by 23 percent from 1984 to 1985. Apparent consumption in 1985 remained 31 percent below the 1982 level.

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

Table 2.--Oil country tubular goods: U.S. producers' domestic and intracompany shipments, imports, and apparent consumption, 1983-85

(In thousands of tons)

Item	1983	1984	1985
U.S. producers' domestic and intracompany shipments	801	1,563	1,460
Imports from--			
Israel	1/	4	26
Argentina	16	24	26
Canada	29	172	173
Taiwan	1	14	9
All other countries	615	2,093	1,305
Total imports	661	2,307	1,539
Apparent consumption	1,462	3,870	2,999

1/ Less than 500 tons.

Source: Inventories and U.S. producers' domestic shipments for 1983-85, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Throughout 1981, market analysts were projecting higher levels of oil and gas well drilling; domestic production and imports of oil country tubular goods reached record high levels as distributors bought all the product they could in order to be able to supply the anticipated demand. Imports greatly increased their market share as domestic producers were unable to satisfy 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, both domestic shipments and imports increased considerably, with imports

1/ This information was obtained in investigations Nos. 701-TA-215 through 217 (Final).

maintaining a large market share. Some of the distributors' and producers' inventories were worked off during this period; however, excess inventories are still blamed by some representatives of the industry for depressed market conditions. Domestic producers' yearend inventories of oil country tubular goods, as reported in questionnaire responses, are shown in the following tabulation (in short tons):

	Yearend inventories
1982	393
1983	189
1984	270
1985	228

According to the Lone Star Steel Yard Survey inventory data, which include approximately 90 percent of stocks held not only by producers, but by all participants in the industry, inventories had risen to an alltime high at the beginning of 1983, fell by 30 percent by early 1984, and declined a projected total of 38 percent from early 1983 to mid-1985. Projected mid-1985 inventories are higher than for any survey prior to 1982. Using the Lone Star Steel Yard Survey inventory data, estimated consumption rose from 3.0 million tons in 1983 to 4.0 million tons in 1984, or by only 32 percent; this discrepancy can be explained by the sharp drawdown of distributors' and end-users' inventories in 1983, which is reflected in the Lone Star Survey. Comparable data are not yet available for 1985.

Drilling declined near the end of 1985, and industry spokesmen predict a sharp decrease in exploration in 1986. They feel that depressed energy prices and potential tax reforms will reduce economic incentives for investment in the domestic oil and gas industry. According to Hughes Tool Co., a producer of oil-drilling equipment and supplies that gathers information on oil-drilling rigs worldwide, the number of active rigs in the United States as of March 24, 1986, was 45 percent below the level of one year previously. 1/ The trend in estimated consumption has usually followed the trend in the level of U.S. oil and gas drilling fairly closely. In discussions with the Commission staff, industry representatives have indicated that consumption of oil country tubular goods is down sharply so far in 1986. The Preston Pipe Report predicts that U.S. 1986 consumption of oil country tubular goods will be less than one-half of the 1985 level. 2/

Shallow wells are generally considered to be those that are 5,000 feet or less in depth. 3/ Shallow wells are less expensive to develop and they are much more numerous than deep wells; this is reflected by the shallow average well depth figure. Information on the depth of oil and gas wells is collected by the Oil and Gas Journal. This information shows that the average depth of the wells drilled in the United States varied slightly during 1983-85, as shown in the following tabulation:

1/ Oil and Gas Journal, March 31, 1986, p. 107.
2/ Preston Pipe Report, February 15, 1986, p. 1.
3/ Posthearing brief of the petitioners in investigations Nos. 701-TA-215 through 217 (Final), exhibit E, LTV Steel Tubular Division Response, p. 4.

	Average depth 1/
1983	4,147
1984	4,155
1985	4,182

1/ Based on a telephone conversation with a statistician for the Oil and Gas Journal, Tulsa, OK, March 28, 1986.

U.S. oil drilling and hence, U.S. consumption of oil country tubular goods, is concentrated in Texas, Louisiana, and Oklahoma. According to Hughes Tool Co., these three States accounted for 61 percent of total active rigs in the United States in December 1985, as shown in the following tabulation (in percent):

	Share of active rigs nationwide, 1985 1/
Texas	34
Louisiana	14
Oklahoma	13
Subtotal	61
Kansas	5
Wyoming	5
California	4
New Mexico	4
All other	21
Total	100

1/ Oil and Gas Journal, January 27, 1986, p. 80.

Oil country tubular goods are sold by domestic mills most frequently to distributors (83.5 percent of total sales in 1985), which in turn sell the pipes to the end users in the oil drilling industry, or directly to the end users (15.9 percent of total sales in 1985). Distributors are middlemen that buy large quantities of oil country tubular goods, typically at a 6 percent discount, warehouse the product, and sell smaller quantities to end users. The distributor 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.

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 in the investigations regarding oil country tubular goods from Argentina, Canada, and Taiwan (investigations Nos. 701-TA-255 (Final) and 731-TA-275, 276, and 277 (Final)). All known producers of oil country tubular goods in 1985 responded

to the questionnaire. ***. Some other firms did not 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 0.5 percent of U.S. producers' shipments in 1985. Should drill pipe be excluded from these data, the trends in capacity, production, shipments, inventories, employment, and financial experience would be the same.

In these investigations and in previous investigations on oil country tubular goods, the domestic industry has argued 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, the prices of high-quality welded products are the same as the prices of comparable seamless products, and 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." 1/

Counsel for foreign producers in these investigations and in prior investigations on oil country tubular goods have argued that the Commission find that seamless and welded pipes and tubes were distinct like products. 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 in these and in prior investigations, 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. 2/

According to 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 those of 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 E and discussed in the price section of this report.

According to staff discussions with producers, importers, distributors,

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

2/ These arguments regarding the distinction between seamless and welded oil country tubular goods can be found in detail 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 Mannesman, pp. 1-7, in investigations Nos. 701-TA-215-217 (Final). These distinctions were briefly reiterated by respondents in testimony at the public conference. See page 31 of the official transcript.

a processor, and purchasers concerning the comparability of the two forms of oil country tubular goods, all but the most conservative drillers prefer the lower cost, seam-annealed welded goods in shallow wells, and the higher quality and greater strength of seamless and full-body normalized oil country tubular goods are required only in deep wells and offshore. An official at *** compared seamless and welded products to "apples and oranges" in the shallow-well Appalachian market, indicating that there is a strong preference for the seam-annealed welded product because of its lower price. Also, not all end users consider even the higher quality, full-body normalized welded tubulars to be comparable to seamless tubulars of the same grade. End users generally report, however, that welded and seamless products are substitutable in the majority of applications. In such cases, full-body normalized tubulars are frequently used interchangeably with seamless tubulars of the same grade. Also, welded and seamless tubulars are manufactured in completely different facilities and by very different processes. An official at *** estimated that the cost for his firm of producing seamless oil country tubular goods is *** than the cost of producing welded seam-annealed oil country tubular goods.

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

Oil country tubular goods are produced in the same facilities as other standard and line pipes and tubes and the downtime required to switch to and from production of these other pipe and tube products and oil country tubular goods is considered by the industry to be minimal--often less than an hour. The capacity reported by U.S. producers, therefore, includes facilities used not only for oil country tubular goods, but for other pipe and tube products also. This results in capacity utilization rates for oil country tubular goods that appear to be very low because the rates have been computed on the basis of employing total tubular productive capacity exclusively in the manufacture of oil country tubular goods; in fact, these facilities can be and are employed for the production of other tubular products.

U.S. capacity to produce oil country tubular goods fell by 4.1 percent during 1983-85, from around 5.8 million to 5.5 million tons per year (table 3). In 1981, several firms initiated programs to expand their capacity to produce oil country tubular goods. Many then 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. Capacity fell by 8.2 percent from 1983 to 1984 as several firms shut down tubular product production facilities. Capacity then rose 4.8 percent from 1984 to 1985. Most of the increase is due to the expansion of productive capacity by ***. No major closures occurred during the period. As of April 15, 1986, *** had permanently shut down their oil country tubular goods facilities; *** reported that they had suspended operations, and several other producers reported low levels of production. 1/

U.S. production of oil country tubular goods decreased dramatically from 1982 to 1983. Production increased by 183.5 percent from 1983-84 but remained 17.7 percent below production in 1982. Production then decreased by 12.0 percent from 1984-85, remaining 22.2 percent below 1982 production levels.

1/ Phone survey by the Commission staff.

Table 3.--Oil country tubular goods: U.S. production, capacity, and capacity utilization, 1983-85

Year	Production 1/	Capacity	Capacity utilization 1/
	1,000 tons		Percent
1983	590	5,759	10.2
1984	1,673	5,288	31.6
1985	1,471	5,540	26.9

1/ Does not include data on ***.

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

With the decrease in production, utilization of productive capacity devoted to the manufacture of oil country tubular goods fell to 10.2 percent in 1983 and then increased to 31.6 percent as *** shut down oil country tubular goods facilities. Capacity utilization declined again from 1984 to 1985 to 26.9 percent. Most U.S. producers reported that their U.S. oil country tubular goods production facilities were closed for a portion of 1983-85.

U.S. producers' shipments

U.S. producers' shipments of oil country tubular goods followed the same trend as production (table 4). Total shipments increased by 94 percent from 1983 to 1984 and then declined by 6 percent from 1984 to 1985. Total shipments were 82 percent higher in 1985 than in 1983.

Table 4.--Oil country tubular goods: U.S. producers' shipments, 1983-85

(In thousands of tons)

Year	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	13	814
1984	***	***	13	1,576
1985	***	***	24	1,484

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

U.S. producers' inventories

U.S. producers' yearend inventories of oil country tubular goods were equivalent to 23 percent of total annual shipments in 1983 (table 5).

Inventories fell to 17 percent of shipments in 1984 and decreased again to 15 percent in 1985.

Table 5.--Oil country tubular goods: U.S. producers' 1/ inventories and shipments, 1983-85

Year	Inventories	Total shipments	Ratio of inventories to shipments
	1,000 tons		Percent
1983	189	814	23
1984	270	1,576	17
1985	228	1,484	15

1/ Does not include data from *** for 1983.

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

Employment

Firms accounting for an average of over 96 percent of production and shipments from 1983-85 provided information on employment in the production of oil country tubular goods. The number of workers decreased from 12,897 in 1982 to 3,876 in 1983. Employment then increased by 92.5 percent from 1983 to 1984 and by another 0.5 percent from 1984 to 1985 (table 6). However, employment in 1985 remained 41.9 percent below the 1982 level. The producers reported that all of the decrease in employment can be attributed to lack of orders. Most of these workers belong to the United Steelworkers of America. Their total compensation decreased by 8.5 percent, from $19.41 per hour in 1983 to $17.77 per hour in 1984. This decrease can be attributed to wage concessions negotiated between the unions and the employers. Total compensation then increased to $19.98 per hour in 1985.

Table 6.--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, 1983-85

Period	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	Per hour	
1983	3,876	7,212	$12.80	$19.41
1984	7,462	14,576	13.07	17.77
1985	7,498	13,768	14.07	19.98

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

Financial experience of U.S. producers

Twelve firms supplied usable income-and-loss data concerning their overall establishment operations and their operations producing oil country tubular goods during 1982-85. These 12 firms accounted for 88 percent of all U.S. shipments of oil country tubular goods in 1985. In the aggregate, the reporting firms were profitable in 1982, both in their overall operations and in their operations producing oil country tubular goods. In 1983, operating losses occurred for both the overall establishments and in the production of oil country tubular goods, and these losses continued in 1984 and 1985.

Overall establishment operations.--Net sales of all products produced in the establishments within which oil country tubular goods are produced dropped from $3.5 billion to $1.8 billion, or by 50.4 percent, from 1982 to 1983 (table 7). Net sales rose 58.7 percent to $2.8 billion in 1984, then fell to $2.7 billion in 1985. The 12 reporting firms earned an operating income of $240.4 million, or 6.8 percent of net sales, in 1982. Operating losses totaled $439.3 million in 1983, $213.3 million in 1984, and $219.5 million in 1985. The operating loss margins were 25.1 percent in 1983, 7.7 percent in 1984, and 8.2 percent in 1985. Six firms reported operating losses in 1982, 10 firms suffered such losses in 1983, 7 firms did so in 1984, and 6 firms reported losses in 1985.

Table 7.--Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which oil country tubular goods are produced, accounting years 1982-85

Item	1982	1983	1984	1985 2/
Net sales-------1,000 dollars--	3,535,234	1,752,585	2,782,021	2,666,737
Cost of goods sold----------do--	3,141,760	2,078,537	2,892,557	2,789,307
Gross profit or (loss)-----do--	393,474	(325,952)	(110,536)	(122,570)
General, selling, and administrative expenses--------do--	153,054	113,353	102,828	96,972
Operating income or (loss)-do--	240,420	(439,305)	(213,364)	(219,542)
Depreciation and amortization expense------------do--	85,267	117,915	123,111	132,967
As a share of net sales:				
Cost of goods sold--percent--	88.9	118.6	104.0	104.6
Gross profit or (loss)---do--	11.1	(18.6)	(4.0)	(4.6)
General, selling, and administrative expenses--do--	4.3	6.5	3.7	3.6
Operating income or (loss) ------------------------do--	6.8	(25.1)	(7.7)	(8.2)
Number of firms reporting operating losses-------------	6	10	7	6

1/ These firms are ***.
2/ ***.

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

Operations on oil country tubular goods.--The income-and-loss experience of the 12 U.S. producers on their operations producing oil country tubular goods is presented in table 8. Net sales plunged from $2.0 billion in 1982 to $365 million in 1983, or by 81.7 percent. Net sales rose 165.6 percent to $970 million in 1984; however, the sales value remained approximately one-half that of 1982. Net sales totaled $968 million in 1985. In 1982, the 12 reporting producers earned an operating income of $342.1 million, or 17.2 percent of net sales. Operating losses totaled $194.1 million in 1983, $144.4 million in 1984, and $110.7 million in 1985. The operating loss margins were 53.1 percent in 1983, 14.9 percent in 1984, and 11.4 percent in 1985. Four of the twelve firms reported operating losses for 1982, 10 firms sustained operating losses in 1983, and 7 firms did so in both 1984 and 1985.

Table 8.--Income-and-loss experience of U.S. producers 1/ on their operations producing oil country tubular goods, accounting years 1982-85

Item	1982	1983	1984	1985 2/
Net sales--------1,000 dollars--	1,994,989	365,210	970,165	968,495
Cost of goods sold----------do--	1,558,633	505,954	1,057,386	1,035,975
Gross profit or (loss)-----do--	436,356	(140,744)	(87,221)	(67,480)
General, selling, and administrative expenses--------do--	94,276	53,330	57,201	43,233
Operating income or (loss)-do--	342,080	(194,074)	(144,422)	(110,713)
Depreciation and amortization expense------------do--	36,440	32,068	57,287	57,474
As a share of net sales:				
Cost of goods sold--percent--	78.1	138.5	109.0	107.0
Gross profit or (loss)---do--	21.9	(38.5)	(9.0)	(7.0)
General, selling, and administrative expenses--do--	4.7	14.6	5.9	4.4
Operating income or (loss) ----------------------do--	17.2	(53.1)	(14.9)	(11.4)
Number of firms reporting operating losses--------------	4	10	7	7

1/ These firms are ***.
2/ ***.

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

Capital expenditures.--Seven firms supplied data concerning their capital expenditures on oil country tubular goods during the reporting period. In 1982, following a year of record sales, several U.S. companies completed expansion programs that increased their capacity to produce oil country tubular goods. These expenditures dropped to $3.1 million in 1983, increased to $4.8 million in 1984, and fell again in 1985 to $1.9 million (table 9).

Table 9.--Oil country tubular goods: U.S. producers' capital expenditures, 1983-85

(In thousands of dollars)

Item	1983	1984	1985
Land and land improvements	1	0	75
Buildings and leasehold improvements	195	68	160
Machinery, equipment, and fixtures	2,922	4,705	1,655
Total	3,118	4,773	1,890

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

Investment in productive facilities.--Six firms supplied data concerning their investment in productive facilities employed in the production of oil country tubular goods. As shown in table 10, their aggregate investment in facilities employed in the production of oil country tubular goods, valued at cost, rose from $139.1 million as of the end of 1983 to $154.2 million as of the end of 1985. The book value of such assets was $74.1 million as of yearend 1983, $78.1 million as of yearend 1984, and $74.3 million as of yearend 1985.

The following companies reported nonrecurring charges to their operations:

* * * * * * *

*** did not make adjustments but they listed *** in projects that have been deferred because of conditions in the oil country tubular goods industry.

Table 10.--Oil country tubular goods: U.S. producers' end-of-period valuation of fixed assets, 1983-85

(In thousands of dollars)

Item	1983	1984	1985
Original cost	139,121	151,472	154,216
Book value	74,096	78,119	74,253

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

Research and development expenses.--Three firms supplied data concerning their research and development expenses incurred in the production of oil

country tubular goods. Such expenditures declined annually from *** 1983 to *** 1984 to *** 1985, as shown in the following tabulation (in thousands of dollars):

* * * * * * *

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, among other relevant factors, increases of inventories of the subject merchandise in the United States, any increases in productive capacity or existing unused capacity in the exporting country likely to result in an increase in exports of the subject merchandise to the United States, any rapid increase in imports of the subject merchandise into the United States, an increase in U.S. market penetration, any substantial increase in inventories of the merchandise in the exporting country, and the potential for product shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation under section 701 or section 731, or to final orders under section 706 or section 736, are also used to produce the merchandise under investigation.

Information on the market penetration of the subject products is presented in the market penetration section of this report. Information on the other factors listed above is discussed in this section of the report.

U.S. importers' inventories

U.S. importers of oil country tubular goods from Israel reported ***, and inventories of 678 tons for yearend 1985. These inventories represented 2.5 percent of importers' 1985 shipments of Israeli oil country tubular goods. Information concerning inventories held by importers of oil country tubular goods from Israel is presented in table 11.

Table 11.--Oil country tubular goods: Importers' end-of-period inventories and shipments of the product imported from Israel, 1983-85

Item	1983	1984	1985
Inventories----------------------------tons--:	***	***	678
Shipments------------------------------tons--:	***	***	27,258
Ratio of inventories to shipments---percent--:	***	***	2.5

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

The foreign industry and its capacity to generate exports

Petitioners and respondents agree that METCO is the only producer of oil country tubular goods in Israel and is responsible for all exports of the subject material to the United States. According to the Oil and Gas Journal, there were no active drilling rigs in Israel in 1985. 1/ A spokesman for Solcoor, Inc., a U.S. subsidiary of METCO, asserted that the Israeli producer has no plans to increase its capacity. He added that METCO exports all of its oil country tubular goods production to the United States; however, this is only a small quantity of its total production. METCO produces other tubular products for the Israeli market, and demand for these products is not expected to decline. 2/ Information on the Israeli oil country tubular goods industry is presented in table 12.

Table 12.--Oil country tubular goods: Production and trade data for METCO, 1983-85

Item	1983	1984	1985
Capacity------------tons-----:	***	***	***
Production------------do-----:	***	***	***
Capacity utilization--------percent-----:	***	***	***
Domestic shipments:------------tons-----:	***	***	***
Exports to the United States---------do-----:	***	***	***

Source: Compiled from data submitted by counsel for METCO.

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

U.S. imports

During 1983-85, oil country tubular goods, both those meeting and those not meeting API specifications, frequently entered the United States under the same TSUS items as tubular goods not under investigation. The Department of Commerce has compiled a concordance of the TSUS 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 TSUS item, the concordance is used to allocate the quantity that is oil country tubular goods and the quantity that is other types of steel pipes and tubes. The official import data presented in this report are compiled from statistics of the U.S. Department of Commerce utilizing this concordance.

1/ Oil and Gas Journal, March 31, 1986, p. 107.
2/ Testimony at the public conference and *** study. See pages 29-30 of the official transcript.

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. Imports then increased to 2.3 million short tons in 1984, or by 249 percent, and fell by 33 percent, to 1.5 million tons, in 1985 (table 13).

Table 13.--Oil country tubular goods: U.S. imports for consumption, from selected sources, 1983-85

Source	1983	1984	1985
	Quantity (1,000 tons)		
Israel	1/	4	26
Japan	267	662	571
Korea	49	286	183
Canada	29	172	173
Italy	140	295	126
West Germany	51	336	122
Argentina	16	24	26
Taiwan	1	14	9
All other	108	512	303
Total	661	2,307	1,540
	Value (million dollars)		
Israel	2/	1	10
Japan	156	387	390
Korea	16	109	72
Canada	22	108	99
Italy	86	126	76
West Germany	26	160	69
Argentina	8	12	13
Taiwan	1	5	3
All other	56	218	148
Total	371	1,126	881

1/ Less than 500 short tons.
2/ Less than $500,000.

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

The principal sources of the 1985 imports were Japan, the Republic of Korea (Korea), Canada, Italy, and the Federal Republic of Germany (West Germany), as shown in the following tabulation (in percent):

Source	1985
Israel	1.7
Japan	37.0
Korea	11.9
Canada	11.2
Italy	8.2
West Germany	7.9
Argentina	1.7
Taiwan	.6
All other	19.8
Total	100.0

According to the official statistics, imports of oil country tubular goods from Israel increased from 13 tons in 1983 to 4,000 tons in 1984 and to 26,000 tons in 1985. As a share of total imports, those from Israel increased from less than 0.05 percent in 1983 to 0.2 percent in 1984 and then to 1.7 percent in 1985. Over 99 percent of the imports from Israel entered through the port of Houston, TX.

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, was designed to reduce the EC's share of the U.S. pipe and tube market from 14.6 percent held during January-October 1984 to 7.6 percent in 1985 and 1986. In 1985, imports from the EC, excluding Spain and Portugal, accounted for 11.0 percent of U.S. apparent consumption of oil country tubular goods. Since the announcement of the agreement with the EC, voluntary restraint agreements (VRA's) have been signed with Australia, Austria, Brazil, Czechoslovakia, East Germany, Finland, Hungary, Japan, Korea, Mexico, Poland, Portugal, Romania, South Africa, Spain, Venezuela, and Yugoslavia.

Market penetration by the allegedly subsidized and LTFV imports

The share of the market for oil country tubular goods supplied by imports from all sources increased from 47.0 percent in 1983 to 59.5 percent in 1984, and then declined to 54.1 percent in 1985 (table 14). The share of the U.S. market supplied by oil country tubular goods from Israel increased from less than 0.05 percent in 1983 to 0.1 percent in 1983 and to 0.9 percent in 1985.

Table 14.-- Oil country tubular goods: Shares of U.S. consumption supplied by Israel, all other countries, and U.S. producers, 1983-85

	1983	1984	1985
U.S. consumption--------------1,000 tons--:	1,462	3,870	2,999
Share of U.S. consumption supplied by:			
Israel------------------------percent--:	1/	.1	.9
Argentina-------------------------do----:	1.1	.6	.9
Canada----------------------------do----:	2.1	4.4	6.1
Taiwan----------------------------do----:	.1	.4	.3
Subtotal------------------------do----:	3.3	5.5	8.2
All other-------------------------do----:	43.7	54.0	45.9
U.S. producers--------------------do----:	53.0	40.5	45.9
Total---------------------------do----:	100.0	100.0	100.0

1/ Less than 0.05 percent.

Source: Consumption figures compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Official statistics of the U.S. Department of Commerce used to compute market shares.

Prices

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

Price data from U.S. producers were available from the ongoing Commission investigations on oil country tubular goods from Argentina, Canada, and Taiwan. The importers of Israeli oil country tubular goods were requested to provide their net selling prices for the following three representative size categories of oil country tubular goods:

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 nonupset, are threaded with any of a variety of thread configurations (different thread shapes and lengths) and then coupled.

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 16.87 pounds per foot for P/E and 17 pounds per foot for T&C, seamless and welded;

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.

Price data were available from 9 U.S. producers accounting for 84 percent of U.S. shipments in 1985. The weighted-average net selling prices and quantities based on price data reported by U.S. producers are shown by product categories in appendix tables E-1 through E-3. Three importers, accounting for 90 percent of imports of Israeli oil country tubular goods in 1985, provided price data for two of the products for some quarters in 1985.

Transportation costs are generally not considered to be a significant factor for purchasers. Domestic delivery costs as a percentage of the delivered selling price, reported by eight domestic producers of oil country tubular goods, were generally less than 10 percent and averaged 4.75 percent. Accordingly, U.S. producers' and importers' net f.o.b., or ex-dock, selling prices are used for comparing levels of domestic producers' and importers' prices from the purchasers' viewpoint.

The method of production, ERW-annealed, ERW-normalized, or seamless, has a significant effect on price. 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. All imports of Israeli oil country tubular goods were ERW-annealed, grade J55. ***. 1/

Price trends.--Based on the f.o.b. selling prices reported by U.S. producers, nearly complete quarterly series were derived for 11 domestic oil country tubular categories for sales to distributors. 2/ Prices generally fluctuated but fell *** from January-March 1983 through October-December 1985 for 8 of the categories. The reported prices for three of the domestic oil country tubular good categories, however, increased over the same period ***.

During January-March 1983 to October-December 1985, domestic producers' prices of the subject products showed no consistent trends. In two of the three categories for which prices increased from the January-March 1983 price, the price series peaked and then declined. The peaks for these two price series (4-1/2 inch casing, seam-annealed and threaded and coupled; and 5-1/2 inch casing, full-body normalized and threaded and coupled) occurred in July-September 1984. Similarly, the two price series for 4-1/2 inch ERW-annealed casing peaked in July-September of 1984, although marking a

1/ Based on importers' questionnaire responses.
2/ Because import prices were available for such a limited time period, January-September 1985, no trends in the Israeli oil country tubular goods price series could be discerned.

decline over the series during January-March 1983 to October-December 1985. Other product categories fluctuated while generally declining over this period.

With respect to changes in magnitude, the greatest fluctuations in price occurred for the full-body normalized and seamless categories. The greatest percentage price increase, ***, occurred for 5-1/2 inch casing (full-body normalized and threaded and coupled). Similarly, the greatest percentage price decrease, ***, occurred for 4-1/2 inch casing (seamless and threaded and coupled).

In contrast, seam-annealed casing and tubing showed the smallest percentage price changes. These changes stayed within a range of *** percent for both price increases and decreases.

Price comparisons.--The reported selling price data resulted in four direct quarterly price comparisons between domestic and imported oil country tubular goods from Israel, sold to distributors during ***. Three of the four comparisons were for ERW-seam annealed, 4-1/2 inch oil field casing (table 15). The imported casing was sold at prices which were less than the

Table 15.--API oil field casing: U.S. producers' and importer's weighted-average net selling prices to service centers/distributors for 4-1/2 inch outside diameter oil field casing, 1/ by quarters, January 1983-December 1985

Period	U.S. product price	Israeli product		
		Price	Margin of underselling	
			Amount	Percent
	Per ton			
1983:				
January-March	433.70	2/	-	-
April-June	408.00	2/	-	-
July-September	412.74	2/	-	-
October-December	416.33	2/	-	-
1984:				
January-March	433.16	2/	-	-
April-June	466.11	2/	-	-
July-September	465.05	2/	-	-
October-December	462.25	2/	-	-
1985:				
January-February	440.65	***	***	***
April-June	448.65	***	***	***
July-September	424.74	***	***	***
October-December	420.19	2/	-	-

1/ Oil field casing, 4-1/2 inch outside diameter, ERW-seam annealed, grade J55, plain end.
2/ Not available.

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

weighted-average net selling price of U.S. producers in all three quarters. Margins of underselling were between *** percent of the U.S. product price. Data for imported and U.S.-produced 2-3/8 inch oil field tubing gave the remaining price comparison. The reported *** price of *** per ton of Israeli ERW-annealed, plain-end tubing was *** than the U.S. product price of *** in the same quarter. ***.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1983-December 1985, the nominal value of the Israeli shekel depreciated relative to the U.S. dollar in every quarter except one, or by an overall 97.52 percent (table 16). Because the level of inflation in Israel was vastly higher than that in the United States over the 12-quarter period, the real value of the Israeli currency depreciated by 12.9 percent relative to the U.S. dollar--significantly less than the apparent depreciation of 97.52 percent represented by the nominal exchange rate.

Lost sales/lost revenues

The Commission received lost sales/lost revenues allegations from only one domestic producer. Petitioners indicated that lost sales information is very difficult to obtain because their customers do not inform them when they buy pipe from foreign producers, and, in fact, often do not know the origin of the pipe, except that it may be imported.

*** reported one instance in which it had allegedly lost a sale to imported oil country tubular goods from Israel. The alleged sale to ***, involved ***. The sale was allegedly lost to *** quotation of ***, *** lower than *** offer of ***. *** then allegedly lowered its price on an additional sale to *** in order to meet the price being quoted for the Israeli oil country tubular goods. Lost revenues from the alleged price reduction were ***.

***, purchasing agent for ***, stated that he could not locate the appropriate documents in connection with the alleged sales and did not recall whether or not the sale in fact occurred. *** noted that *** purchases large volumes of oil country tubular goods ***, primarily on the basis of price. He stated that his firm had purchased Israeli oil country tubular goods from several vendors during 1985. He added that the METCO product first entered the market in 1985 and was being quoted at noticeably low prices. He further stated that his firm has not been using the METCO product long enough to comment on its quality.

Table 16.--U.S.-Israeli exchange rates: 1/ Nominal-exchange-rate equivalents of the Israeli shekel in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Israel, 2/ indexed by quarters, January 1983-December 1985

Period	U.S. Producer Price Index	Israeli Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/
1983:				
January-March	100.0	100.0	100.00	100.0
April-June	100.3	121.5	84.56	102.5
July-September	101.3	151.8	66.13	99.1
October-December	101.8	234.4	41.10	94.6
1984:				
January-March	102.0	346.2	28.10	95.4
April-June	103.6	507.5	19.08	93.5
July-September	103.3	804.9	11.79	91.9
October-December	103.0	1,358.8	6.81	89.8
1985:				
January-March	102.9	1,724.1	5.01	83.9
April-June	103.0	2,343.4	3.62	82.3
July-September	102.2	3,363.0	2.47	81.2
October-December	102.9	3,614.7	2.48	87.1

1/ Exchange rates expressed in U.S. dollars per Israeli shekel.

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/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured here by the Producer Price Index in the United States and Israel. Producer prices in the United States increased 2.9 percent during the period January 1983 through December 1985 compared to a 3,514.7-percent increase in Israel during the same period.

Source: International Monetary Fund, International Financial Statistics, March 1986.

Note.--January-March 1983=100.0.

APPENDIX A

THE FEDERAL REGISTER NOTICES

[Investigations Nos. 701-TA-271 and 731-TA-318 (Preliminary)]

Import Investigations; Oil Country Tubular Goods From Israel

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 investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigation No. 701-TA-271 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) of a preliminary antidumping investigation No. 731-TA-318 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(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 Israel of oil country tubular goods,[1] provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 601.49, and 610.52 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Israel and which are alleged to be sold in the United States at less than fair value. As provided in sections 703(a) and 733(a), the Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in this case by April 28, 1986.

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: March 12, 1986.

FOR FURTHER INFORMATION CONTACT: Rebecca Woodings (202-523-0282), 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 a petition filed on March 12, 1986 by the 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 of 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 the file the entry.

Service list.—Pursuant to § 202.11(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 §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 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 Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on April 7, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Rebecca Woodings (202-523-0282) not later than April 2, 1986 to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions.—Any person may submit to the Commission on or before April 9, 1986, a written statement of informaiton pertinent to the subject of the investigations, as provided in section 207.15 of the Commission's rules (19 CR 207.15). 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 (19 CFR 201.8). 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 by submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

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

By order of the Commission.

Issued: March 14, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-6015 Filed 3-18-86; 8:45 am]

BILLING CODE 7020-02-M

[1] For purposes of these investigations, "oil country tubular goods" includes drill pipe, casing, and tubing for drilling oil and 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.

Federal Register / Vol. 51, No. 67 / Tuesday, April 8, 1986 / Notices 11963

DEPARTMENT OF COMMERCE

International Trade Administration

[A-508-602]

Oil Country Tubular Goods From Israel; Initiation of Antidumping Duty Investigation

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether oil country tubular goods (OCTG) from Israel are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before April 28, 1986, and we will make ours on or before August 19, 1986.

EFFECTIVE DATE: April 8, 1986.

FOR FURTHER INFORMATION CONTACT: Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-5288.

SUPPLEMENTARY INFORMATION:

The Petition

On March 12, 1986, we received a petition in proper form filed by Lone Steel Company and CF&I Steel Corp., in compliance with filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36). The petition alleged that imports of the subject merchandise from Israel are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury to a United States industry. Critical circumstances have also been alleged under section 733(e) of the Act.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and, further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on OCTG from Israel and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether oil country tubular goods are being, or are likely to be, sold in the United States at less than fair value.

Scope of Investigation

The products covered by this investigation are "oil country tubular goods", which are hollow steel products of circular cross-section intended for use in the drilling for oil or gas. These products include oil well casing, tubing, and drill pipe of carbon or alloy steel, whether welded or seamless, manufactured to either American Petroleum Institute (API) or non-API (such as proprietary) specifications as currently provided for in the *Tariff Schedules of the United States, Annotated (TSUSA)* under item numbers:

610.3216, 610.3219, 610.3233, 610.3234, 610.3242, 610.3243, 610.3249, 610.3252, 610.3254, 610.3256, 610.3258, 610.3262, 610.3264, 610.3721, 610.3722, 610.3751, 610.3925, 610.3935, 610.4025, 610.4035, 610.4210, 610.4220, 610.4230, 610.4240, 610.4310, 610.4320, 610.4335, 610.4942, 610.4944, 610.4946, 610.4954, 610.4955, 610.4956, 610.4957, 610.4966, 610.4967, 610.4968, 610.4969, 610.4970, 610.5221, 610.5222, 610.5226, 610.5234, 610.5240, 610.5242, 610.5243, 610.5244

This investigation includes oil country tubular goods that are in both finished and unfinished condition.

In prior cases, the ITC has ruled that drill pipe is a separate "like product" from other types of OCTG. As neither of the petitioners manufacture, produce, or wholesale drill pipe, they would not be "interested parties" with respect to drill pipe, within the meaning of section 771(9)(C) of the Act, if the ITC continued to abide by this ruling. Therefore, they would not have standing to file a petition regarding drill pipe under section 732(b). If, in its preliminary determination, the ITC continues to hold that drill pipe is a separate "like product" from other forms of OCTG, we will not investigate sales of drill pipe in this investigation. If, however, the ITC reverses its position and determines that drill pipe is the same like product as other forms of OCTG, then drill pipe will be included in this investigation.

United States Price and Foreign Market Value

Petitioners were unable to obtain price information for U.S. sales. Consequently, they calculated United States price based on the Customs value for OCTG imported from Israel during the period from July through December 1985. Petitioners made no adjustment for foreign inland freight.

Petitioners were unable to provide information on foreign sales or costs. As provided in 19 CFR 353.36(a)(7), petitioners based foreign market value on Lone Star Steel Company's production costs adjusted for cost differences in certain production inputs in Israel. They included selling, general, and administrative and interest charges based on Lone Star's experience plus eight percent profit.

Based on the comparison of the United States price and the constructed foreign market value, petitioners allege dumping margins ranging from 172.1 to 304.1 percent.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential

information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by April 28, 1986, whether there is a reasonable indication that imports of OCTG from Israel are causing material injury, or threaten material injury, to a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

April 1, 1986.

[FR Doc. 86-7733 Filed 4-7-86; 8:45 am]

BILLING CODE 3510-DS-M

[C-508-601]

Initiation of Countervailing Duty Investigation; Oil Country Tubular Goods from Israel

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Israel of oil country tubular goods (OCTG), as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from Israel materially injure, or threaten material injury to, a U.S. industry. The petition also alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Tariff Act of 1930, as amended (the Act). If this investigation proceeds normally, the ITC will make its preliminary determination on or before April 25, 1986, and we will make ours on or before June 5, 1986.

EFFECTIVE DATE: April 8, 1986.

FOR FURTHER INFORMATION CONTACT: Gary Taverman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-0161.

SUPPLEMENTARY INFORMATION:

The Petition

On March 12, 1986, we received a petition in proper form from Lone Star Steel Company and CF&I Steel Corporation with respect to OCTG from Israel. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in Israel of OCTG receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act). In addition, the petition alleges that such imports materially injure, or threaten material injury to, a U.S. industry producing a like product. The petition also alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act.

Since Israel is a "country under the agreement" within the meaning of section 701(b) of the Act, the ITC is required to determine whether imports of the subject merchandise from Israel materially injure, or threaten material injury to, a U.S. industry.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on OCTG and have found that it meets the requirements of section 702(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Israel of OCTG as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the Act. If our investigation proceeds normally, we will make our preliminary determination on or before June 5, 1986.

Scope of Investigation

The products covered by this investigation are "oil country tubular goods," which are hollow steel products of circular cross-section intended for use in drilling for oil or gas. These products include oil well casing, tubing, and drill pipe of carbon or alloy steel, whether welded or seamless, manufactured to either American Petroleum Institute (API) or non-API (such as proprietary) specification as currently provided for in the *Tariff Schedules of the United States, Annotated (TSUSA)* under item numbers:

610.3216, 610.3219, 610.3233, 610.3234, 610.3242, 610.3343, 610.3249, 610.3252, 610.3254, 610.3256, 610.3258, 610.3262, 610.3264, 610.3721, 610.3722, 610.3751, 610.3925, 610.3935, 610.4025, 610.4035, 610.4210, 610.4220, 610.4225, 610.4230, 610.4235, 610.4240, 610.4310, 610.4320, 610.4325, 610.4335, 610.4942, 610.4944, 610.4946, 610.4954, 610.4955, 610.4956, 610.4957, 610.4966, 610.4967, 610.4968, 610.4969, 610.4970, 610.5221, 610.5222, 610.5226, 610.5234, 610.5240, 610.5242, 610.5243, 610.5244

This investigation includes OCTG in both finished and unfinished condition.

In prior cases, the ITC has ruled that drill pipe is a separate "like product" from other types of OCTG. As neither of the petitioners manufacture, produce, or wholesale drill pipe, they would not be "interested parties" with respect to drill pipe, within the meaning of section 771(9)(C) of the Act, if the ITC continued to abide by this ruling. Therefore, they would not have standing to file a petition regarding drill pipe under section 732(b). If, in its preliminary determination, the ITC continues to hold that drill pipe is a separate "like product" from other forms of OCTG, we will not investigate sales of drill pipe in this investigation. If, however, the ITC reverses its position and determines that drill pipe is the same like product as other forms of OCTG, then drill pipe will be included in this investigation.

Allegations of Subsidies

The petition lists a number of practices by the government of Israel which allegedly confer subsidies on manufacturers, producers, or exporters in Israel of OCTG. We are initiating an investigation on the following alleged programs:

- *Encouragement of Capital Investments Law 5719–1959 (ECIL)*
  - —Investment Grants
  - —Loans
  - —Property Tax Exemptions on Buildings and Equipment
  - —Preferential Accelerated Depreciation
  - —Other Tax Benefits
  - —Interest Subsidy Payments
- Bank of Israel Export Loans
  - —Export Production Fund
  - —Export Shipments Fund
  - —Imports-for-Exports Fund
  - —Special Export Financing Loans
- Encouragement of Industry (Taxes) Law 5729–1969
  - —Preferential Accelerated Depreciation
  - —Reduction in Income Tax Rates
  - —Tax Deductible Inventory Adjustments
- Exchange Rate Risk Insurance Scheme
- Encouragement of Industrial Research and Development Law
- Other Benefits referenced in the ECIL
  - —Low Cost Development Loans
  - —Labor Training Supported by the Ministry of Labor
  - —Working Capital to Finance Export Operations

Although the following programs were not alleged by petitioners, we are including them in this investigation to determine whether the government of Israel provides benefits to manufacturers, producers, or exporters in Israel of OCTG under the following ECIL programs:

- Drawback Grants
- Partial Non-payment of Employers' Tax

Allegation of Critical Circumstances

Petitioners allege that critical circumstances exist with respect to imports of OCTG from Israel. They claim that the products concerned benefit from export subsidies that are inconsistent with the GATT Subsidies Code, and that imports have been massive over a relatively short period. We will determine whether critical circumstances exist with respect to these imports in our preliminary and final determinations.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by April 25, 1986, whether there is a reasonable indication that imports of OCTG from Israel materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 702(c)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

April 1, 1986.

[FR Doc. 86–7734 Filed 4–7–86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

CALENDAR OF WITNESSES

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-271 (Preliminary)
and 731-TA-318 (Preliminary)

OIL COUNTRY TUBULAR GOODS FROM ISRAEL

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigations on April 7, 1986, at the USITC Building, 701 E Street, N.W., Washington, DC

In support of the imposition of countervailing and antidumping duties

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

CF&I Steel Corporation
Lone Star Steel Company

J. W. (Jim) Chenoweth, Manager of International Trade Affairs,
Lone Star Steel Company

Warren E. Connelly)
Thomas Rodgers)--OF COUNSEL

In opposition to the imposition of countervailing and antidumping duties

Arnold & Porter--Counsel
Washington, DC
on behalf of--

Middle East Tube Company, Ltd.

Jacob Gang
Vice President, Solcoor Incorporated

Douglas A. Dworkin--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 from these countries, which were alleged to be subsidized. On November 27 and 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. The current subsidy amount for Argentina is still 0.90 percent.

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 unanimously determined that there was a reasonable indication that an industry in the United States was materially injured by reason of such imports. 2/

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 industry in the United States was materially injured by reason of imports of oil country tubular goods from Brazil and Spain 3/ and that an industry in the United States was not materially injured or threatened with material injury,

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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/ 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. Oil Country Tubular Goods from Brazil, Korea, and Spain: Determinations of the Commission in Investigations Nos. 701-TA-215 through 217 (Preliminary) . . ., USITC Publication 1555, July 1984.

3/ Vice Chairman Liebeler and Commissioner Lodwick dissenting.

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. 1/

On July 31, 1985, and August 21, 1985, Commerce published the final results of its changed circumstances adminstrative reviews of the countervailing duty orders concerning imports from, respectively, Spain and Brazil, and revoked the orders, 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 23, 1984, the Commission unanimously determined that there was a reasonable indication that an industry in the United States was materially injured by reason of such imports. 2/ 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 less than fair value with weighted-average margins of 104.11, 33.08, 20.77, and 74.0 percent, respectively. Commerce also preliminarily determined that imports from Korea were not being, and were not likely to be, sold in the United States at less than fair value.

On April 4, 1985, the Commission received notice of Commerce's final determinations that oil country tubular goods from Argentina and Spain were being sold at less than fair value 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 not materially retarded by reason of imports from Argentina but that an industry in the United States is materially injured by reason of imports from Spain. 3/ 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 Steel Co. and CF&I Steel Corp. requested that they be added as copetitioners in the investigations; these requests were subsequently granted. 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 4/ on April 8, 1985, that there was a reasonable indication that an

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1/ 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.

2/ Oil Country Tubular Goods from Argentina, Brazil, Korea, Mexico, and Spain: Determinations of the Commission in Investigations Nos. 731-TA-191 through 195 (Preliminary) . . ., USITC Publication 1555, July 1984.

3/ 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.

4/ Vice Chairman Liebeler dissenting.

industry in the United States was materially injured by reason of imports of oil country tubular goods from Austria and Venezuela, which are alleged to be subsidized by the Governments of Austria and Venezuela and by imports of oil country tubular goods from Austria, Romania, and Venezuela, which are allegedly sold at less than fair value in the United States. 1/ On June 26, August 12, and December 23, 1985, the petitioners withdrew their petitions on, respectively, Venezuela, Romania, and Austria, following the signing of voluntary restraint agreements with those countries, and the investigations were terminated by Commerce before final determinations were announced.

On July 22, 1985, petitions were filed with the Commission and Commerce concerning imports of oil country tubular goods from Argentina, Canada, and Taiwan. On September 5, 1985, the Commission notified the Department of Commerce of its determination 2/ that there was a reasonable indication that an industry in the United States was materially injured by reason of imports from Canada and Taiwan of oil country tubular goods, which are alleged to be subsidized by the Governments of Canada and Taiwan and by reason of imports from Argentina, Canada, and Taiwan of oil country tubular goods, which are alleged to be sold in the United States at less than fair value. 3/ On December 6, 1985, Commerce published its preliminary determination that manufacturers, producers, or exporters of oil country tubular goods from Taiwan do not receive subsidies. On December 30, 1985, Commerce published its preliminary determination that the manufacturers, producers, or exporters of oil country tubular goods in Canada receive subsidies in the amount of 0.72 percent ad valorem. On January 2, 1986, January 7, 1986, and January 27, 1986, Commerce published its preliminary determinations that oil country tubular goods from, respectively, Taiwan, Canada, and Argentina are being, or are likely to be, sold at less than fair value in the United States with margins of 0.82 to 40.88 percent. These investigations are pending before the Commission; the votes are currently scheduled for the week beginning May 25, 1986.

On March 12, 1986, countervailing duty and antidumping petitions were filed with the Commission and Commerce by Lone Star Steel Co. and CF&I Steel Corp. concerning imports of oil country tubular goods from Israel. These cases are the subject of these investigations.

1/ Commissioners Eckes and Lodwick did not exclude drill pipe. 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.

2/ 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. Vice Chairman Liebeler dissenting.

3/ Oil Country Tubular Goods from Argentina, Canada and Taiwan: Determinations of the Commission in Investigations Nos. 701-TA-255 and 256 and 731-TA-275, 276, and 277 (Preliminary) . . ., USITC Publication 1747, September 1985.

APPENDIX D

STATISTICAL TABLES

Table D-1.--Welded oil country tubular goods: U.S. production, capacity, and capacity utilization, 1983-85

Year	Production	Capacity	Capacity utilization
	--------1,000 tons	---------	Percent
1983	493	3,479	14.1
1984	945	2,601	36.3
1985	776	2,854	27.2

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

Table D-2.--Seamless oil country tubular goods: U.S. production, capacity, and capacity utilization, 1983-85

Year	Production 1/	Capacity	Capacity utilization 1/
	--------1,000 tons	---------	Percent
1983	97	2,280	4.3
1984	727	2,686	27.1
1985	695	2,481	28.0

1/ Does not include production data for ***.

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

Table D-3.--Welded oil country tubular goods: U.S. producers' shipments, 1983-85

(In thousands of tons)

Year	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	8	599
1984	***	***	12	932
1985	***	***	***	773

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.

Table D-4.--Seamless oil country tubular goods: U.S. producers' 1/ shipments, 1983-85

(In thousands of tons)

Year	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	5	158
1984	***	***	2	645
1985	***	***	***	711

1/ Does not include data for ***.

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.

Table D-5.--Welded oil country tubular goods: Average number of production and related workers, hours worked by such workers, wages paid and total compensation, 1983-85

Year	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	Per hour	
1983	2,539	4,626	$12.81	$18.23
1984	3,494	6,702	11.70	15.29
1985	3,274	5,313	12.93	17.65

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

Table D-6.--Seamless oil country tubular goods: Average number of production and related workers, hours worked by such workers, wages paid and total compensation, 1983-85

Year	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	Per hour	
1983	1,337	2,586	$12.77	$21.53
1984	3,968	7,874	14.24	19.87
1985	4,224	8,455	14.79	21.45

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

Table D-7.--Income-and-loss experience of U.S. producers 1/ on the operations producing welded oil country tubular goods, accounting years 1982-85

Item	1982	1983	1984	1985 2/
Net sales--------1,000 dollars--	809,006	286,028	493,712	447,635
Cost of goods sold----------do--	575,327	339,510	469,723	475,763
Gross profit or (loss)------do--	233,679	(53,482)	23,989	(28,128)
General, selling, and administrative expenses--------do--	27,860	33,183	34,594	30,429
Operating income or (loss)-do--	205,819	(86,665)	(10,605)	(58,557)
Depreciation and amortization expense------------do--	22,612	24,285	27,071	26,936
As a share of net sales:				
Cost of goods sold--percent--	71.1	118.7	95.1	106.3
Gross profit or (loss)---do--	28.9	(18.7)	4.9	(6.3)
General, selling, and administrative expenses--do--	3.4	11.6	7.0	6.8
Operating income or (loss) -----------------------do--	25.5	(30.3)	(2.1)	(13.1)
Number of firms reporting operating losses--------------	3	6	5	4

1/ These firms are ***.
2/ ***.

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

Table D-8.--Income-and-loss experience of U.S. producers 1/ on the operations producing seamless oil country tubular goods, accounting years 1982-85

Item	1982	1983	1984	1985 2/
Net sales--------1,000 dollars--	1,089,641	64,707	451,447	516,735
Cost of goods sold----------do--	884,654	145,714	556,704	552,223
Gross profit or (loss)------do--	204,987	(81,007)	(105,257	(35,488)
General, selling, and administrative expenses--------do--	57,454	16,148	19,619	12,393
Operating income or (loss)-do--	147,533	(97,155)	(124,876)	(47,881)
Depreciation and amortization expense------------do--	12,008	6,447	28,152	30,557
As a share of net sales:				
Cost of goods sold--percent--	81.2	225.2	123.3	106.9
Gross profit or (loss)---do--	18.8	(125.2)	(23.3)	(6.9)
General, selling, and administrative expenses--do--	5.3	25.0	4.3	2.4
Operating income or (loss) ------------------------do--	13.5	(150.2)	(27.6)	(9.3)
Number of firms reporting operating losses--------------	1	4	3	4

1/ These firms are ***.
2/ ***.

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

Table D-9.--Income-and-loss experience of U.S. producers on their operations producing oil well drill pipe, accounting years 1982-85

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APPENDIX E

WEIGHTED-AVERAGE NET SELLING PRICES AND QUANTITIES REPORTED BY U.S. PRODUCERS OF OIL COUNTRY TUBULAR GOODS SOLD TO DISTRIBUTERS, BY PRODUCT SPECIFICATIONS, AND BY QUARTERS, JANUARY 1983-DECEMBER 1985

Table E-1.--Domestic API oil field casing--4-1/2 inch outside diameter: Weighted-average net selling prices and quantities of U.S.-produced oil country tubular goods sold to distributors, by product specifications, and by quarters, January 1983-December 1985

* * * * * * *

Table E-2.--Domestic API oil field casing--5-1/2 inch outside diameter: Weighted-average net selling prices and quantities of U.S.-produced oil country tubular goods sold to distributors, by product specifications, and by quarters, January 1983-December1985

* * * * * * *

Table E-3.--Domestic API oil field tubing--2-3/8 inch outside diameter: Weighted-average net selling prices and quantities of U.S.-produced oil country tubular goods sold to distributors, by product specifications, and by quarters, January 1983-December 1985.

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