OIL COUNTRY TUBULAR GOODS FROM ISRAEL

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

Determination of the Commission in Investigation No. 731-TA-318 (Final) 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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

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

OIL COUNTRY TUBULAR GOODS FROM ISRAEL

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ 3/ pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)), that an industry in the United States is materially injured by reason of imports from Israel 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, that have been found by the Department of Commerce to be subsidized by the Government of Israel.

Further, the Commission determines, 2/ 3/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Israel of oil country tubular goods, provided for in items 610.32, 610.37, 610.39, 610.40, 610.42, 610.43, 610.49, and 610.52 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

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

2/ Chairman Liebeler determines that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry is not materially retarded, by reason of imports from Israel that are being subsidized and sold at LTFV in the United States.

3/ Vice Chairman Brunsdale is not participating.

4/ For purposes of these investigations, the term "oil country tubular goods" includes 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.

Background

The Commission instituted these investigations effective June 11, 1986, and August 25, 1986, following preliminary determinations by the Department of Commerce that imports of oil country tubular goods from Israel were being subsidized within the meaning of section 701 of the Act (19 U.S.C. § 1671) and were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institutions of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of July 9, 1986 (51 FR 24947), of September 10, 1986 (51 FR 32258), and of October 16, 1986 (51 FR 36874). The hearing was held in Washington, DC, on January 14, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF COMMISSIONER ECKES, COMMISSIONER LODWICK
AND COMMISSIONER ROHR

We determine that an industry in the United States is materially injured by reason of subsidized and less than fair value (LTFV) imports of oil country tubular goods from Israel. 1/ 2/ 3/

These determinations are based primarily on the continuing poor performance of the domestic industry, the significant and increasing market penetration of cumulated imports, and evidence of underselling by the imports resulting in domestic price depression. We conclude that the imports adversely affected the particularly vulnerable domestic industry during the period under investigation.

Like product/domestic industry

As a prerequisite to its material injury analysis, the Commission must define the relevant domestic industry. The term "industry" is defined in

1/ Although 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 separate views on cumulation and causation.
2/ Vice Chairman Brunsdale did not participate in these determinations.
3/ Because there is an existing industry, material retardation of the establishment of an industry in the United States is not an issue in these investigations.

section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product . . . ." 4/ "Like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation." 5/

The imported product in these final investigations is oil country tubular goods (OCTG), which includes casing and tubing for use in drilling oil and gas wells and for transporting oil and gas to the surface. 6/ The Commission has investigated these products in previous cases and dealt with arguments by respondents from various countries that OCTG is not one like product but rather should be separated into such categories as seamless and welded, finished and unfinished, casing and tubing, and drill pipe. In previous investigations, the Commission determined that seamless and welded OCTG were one like product, 7/ as were casing and tubing, and green tubes and finished

4/ 19 U.S.C. § 1677(4)(A).

5/ 19 U.S.C. § 1677(10). The "article subject to an investigation" is defined by the scope of the investigation initiated by the Department of Commerce (Commerce).

6/ In contrast to previous investigations, Commerce did not investigate imports of drill pipe in these investigations.

7/ Oil Country Tubular Goods from Canada and Taiwan, Invs. Nos. 701-TA-255 and 731-TA-276-277 (Final), USITC Pub. 1865 (June 1986); 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 and 195 (Final), USITC Pub. 1694 (May 1985).

OCTG. In these investigations, no party has challenged the definition of the like product established in the Commission's previous determinations, and no evidence was presented in these cases to change our determinations as to the like product. 8/ 9/

Condition of the domestic industry

The Commission makes its findings on the condition of the domestic industry by considering, among other factors, U.S. domestic consumption, production, capacity, capacity utilization, shipments, employment, and financial data. 10/

8/ 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. Chairman Liebeler and Commissioner Rohr find, as they have in previous investigations, that drill pipe is a separate like product from casing and tubing.

9/ Data in these investigations are for all OCTG, including drill pipe, which accounted for less than one half of one percent of U.S. producers' domestic shipments in 1985, and was not produced domestically at all in 1986. Were drill pipe excluded from these investigations, the trends in the economic indicators the Commission considers would be the same. Report of the Commission (Report) at A-3. 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).

10/ 19 U.S.C. § 1677(7)(C)(iii).

Analysis of the above listed factors, particularly the financial data, show an industry in critical condition. Year after year of serious problems, highlighted by operating losses throughout the period under investigation, have left the industry weakened and vulnerable to any additional shocks.

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. 11/ Although 1984 showed minor reversals of this trend, the general decline of the industry continued in 1985 and 1986. The industry is operating at low levels and is suffering serious financial losses. 12/

In 1982, several firms in the domestic industry developed 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, and curtailed or shut down existing operations. 13/ The trend has continued, with domestic producers' capacity to produce OCTG falling from

11/ Oil Country Tubular Goods from Canada and Taiwan, supra p.4, at 5.

12/ Chairman Liebeler notes that pipe and tube products other than OCTG may be, and are, produced in the facilities where OCTG are manufactured and the downtime required to switch to and from production of these other pipe and tube products and OCTG is considered by the industry to be minimal - sometimes less than an hour. Report at A-12. Thus, the data do not permit "the separate identification of production in terms of such criteria as the production process or the producer's profits." Therefore, pursuant to 19 U.S.C. § 1677(4)(D) it is appropriate to evaluate the condition of the industry by applying a product line analysis. In these investigations, capacity utilization rates for production facilities within which OCTG are manufactured are available. The capacity utilization trends are the same using those figures as using capacity utilization for production of OCTG only.

13/ Oil Country Tubular Goods from Canada and Taiwan, supra p. 4, at 5.

5.8 million tons in 1983 to 5.2 million tons in 1984 to 4.7 million tons in 1985. Capacity dropped to 3.3 million tons in the interim period January-September 1986 from 3.5 million tons in interim 1985. 14/ 15/

Production rose significantly from 1983 to 1984, although to a level below that of 1982. Production then declined 14 percent from 1984 to 1985, and 62 percent when January-September 1986 is compared to January-September 1985. 16/

Capacity utilization increased from 28.4 percent in 1983 to 51.8 percent in 1984, then dropped to 46 percent in 1985. It plummeted to 22.0 percent during January-September 1986 from 46.8 percent in the comparable period of 1985. 17/ Total shipments increased 104 percent from 795 thousand tons in 1983 to 1.6 million tons in 1984, then fell to 1.5 million tons in 1985. Shipments dropped about 60 percent between interim 1985 and interim 1986. 18/

The majority of the industry's inventories are held by distributors and consumers rather than producers. Despite substantial draw downs of these

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14/ Report at A-12, Table 3.
15/ Chairman Liebeler notes that pursuant to 19 U.S.C. § 1677(4)(D) it is appropriate to examine financial data for establishments within which OCTG are produced. See n.12 *supra* and accompanying text. The profit and loss trends are the same whether overall operations of establishments within which OCTG are produced or only OCTG operations are examined. Report at A-17-A-18.
16/ Report at A-13.
17/ *Id*. at A-13-A-14.
18/ *Id*. at A-14, Table 4.

stocks in 1986, estimated inventory levels in late 1986 were substantially in excess of a year's consumption at recent consumption levels. 19/

The number of workers decreased from 12,897 in 1982 to 4,812 in 1983. Employment increased 55.3 percent from 1983 to 1984 before decreasing 8.7 percent from 1984 to 1985. Available data show that between January-September 1985 and January-September 1986 employment decreased 78.6 percent. 20/

Domestic producers of OCTG experienced operating losses throughout the reporting period. Net sales of OCTG increased from $390.5 million in 1983 to $1,039.6 million in 1984, then dropped 3 percent in 1985 to $1,008.7 million. During January-September 1986 sales were $261.2 million compared with $723.4 million during interim 1985, a decrease of 63.9 percent. As a percent of sales, operating losses were 82.8 percent in 1983, 21.6 percent in 1984, 11.5 percent in 1985, 11 percent in interim 1985, and 30.6 percent in interim period 1986. 21/ We note that, although respondents argued that some nonintegrated firms that manufacture OCTG from steel coil that they have purchased, i.e., "mini-mills," performed better financially than other companies, both the nonintegrated and integrated producers experienced serious operating losses throughout the period under investigation. 22/

19/ Id. at A-10.
20/ Id. at A-15, Table 6.
21/ Id. at A-18, Table 8.
22/ Id. at A-19-A-20, Table 9.

We therefore determine that the domestic OCTG industry is experiencing material injury.

Cumulation

Section 612 of the Trade and Tariff Act of 1984 amended section 771(7)(C)(iv) of the Tariff Act of 1930. 23/ 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 cumulation is appropriate, we considered whether imports: (1) compete with each other and the domestic like product; (2) are marketed within a reasonably coincidental period; 24/ and (3) are subject to investigation. 25/

23/ 19 U.S.C. § 1677(7)(C)(iv).
24/ This requirement is derived from the legislative history of the statute. H.R. Conf. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984).
25/ Among the factors which the Commission has considered to reach a determination on cumulation are:

--the degree of fungibility between imports from different countries 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 geographical 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.

This list is not exhaustive and no single factor is determinative.

For the purposes of our determinations in these investigations, we have cumulatively assessed the volume and effect of unfairly traded imports from Israel, Canada, and Taiwan. 26/

We determine that OCTG are essentially fungible. 27/ Respondents argued that imports from Israel and Taiwan are not fungible since the former are casing, the latter are tubing, and casing and tubing are not used for the same applications. The record indicates, however, that a significant portion of the imports from Taiwan are casing. 28/ Respondents also argued that imports from Israel and imports from Canada are not fungible since most Canadian product which might be present in the same market area as Israeli OCTG is seamless, whereas Israeli OCTG is welded, and seamless and welded OCTG are not fungible. As in previous investigations, we find seamless and welded OCTG compete with each other, since the two categories are interchangeable in a significant number of applications. 29/

26/ Commissioner Rohr finds it unnecessary to "cross cumulate" subsidized imports from Canada and Israel with imports from Taiwan sold at less than fair value to reach his affirmative determination in these investigations.

Commissioner Eckes and Commissioner Lodwick did cross cumulate, but note that they would have made the same determinations had they not cross cumulated.

27/ We have made the same determination in previous cases. See Oil Country Tubular Goods from Canada and Taiwan, supra p.4, at 9; Oil Country Tubular Goods from Israel, Invs. Nos. 701-TA-271 and 731-TA-318 (Preliminary), USITC Pub. 1840 at 8 (Apr. 1986).

28/ Report at A-31.

29/ Id. at A-30. Oil Country Tubular Goods from Canada and Taiwan, supra p.4, at A-18.

Also, we determine that imports from all of the countries and the domestic like product compete with one another. Respondents argued against cumulation of imports from Canada with imports from Israel on the ground that most imports from Canada are used in the northern part of the United States while imports from Israel are used in the Gulf Coast area. It is true that most imports from Israel, as well as those from Taiwan, enter the U.S. through the port of Houston and are sold in the Gulf Coast and Southwest area. 30/ Although Canadian OCTG enters through northern ports such as Detroit and Buffalo, at least two Canadian firms maintain sales offices in Houston and inventory in the Houston area, and a significant amount of the Canadian product has been sold in the Southwest. 31/

Imports from Israel are subject to these countervailing duty and antidumping investigations. Imports from Canada are subject to a countervailing duty order and an antidumping order, both issued in June 1986. Imports from Taiwan are subject to an antidumping order also issued in June 1986. We determine that the imports subject to these recent orders comply with the statutory requirement that cumulated imports be subject to investigation. They were simultaneously in the market with imports from Israel during much of the investigation period. 32/ 33/

30/ Oil Country Tubular Goods from Canada and Taiwan, supra p.4, at 9.
31/ Report at A-31.
32/ In our determinations, we consider only those imports from Canada and Taiwan which entered the United States prior to the dates of the orders.
33/ Commissioner Lodwick finds that given the low level of demand for OCTG and the abundant stocks of material overhanging the market, imports from Canada and Taiwan entered prior to the issuance of duty orders in June 1986 continue to exert a depressing influence on the market. Therefore, considering these imports in a cumulative analysis is appropriate.

OCTG from Argentina are subject to a final countervailing duty order dating back to November 1984. Because this order is remote in time, we decline to cumulate imports from Argentina in these investigations.

Material injury by reason of subsidized and LTFV imports

In determining whether material injury exists by reason of the subsidized imports sold at LTFV, the Commission is required to consider a number of factors. These factors include the volume of imports of the merchandise under investigation, the effect of such imports on domestic prices, and the impact of such imports on the domestic industry. 34/ Evaluation of these factors involves a consideration of (1) whether the volume of imports or increase in volume and market share is significant, (2) whether there has been significant underselling by the imported products, and (3) whether imports have depressed prices or prevented price increases. 35/

The discussion above of the condition of the domestic industry showed the industry to be materially injured. We recognize that there 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. Imports may result in relatively greater injury to an industry facing a downturn in demand. In this instance, the domestic OCTG industry not

34/ 19 U.S.C. § 1677(7)(B).
35/ 19 U.S.C. § 1677(7)(C).

only experienced decreased sales and profits, but also lost market share as the unfair imports gained market share during the period of investigation.

The record in these investigations shows the combined volume of unfairly traded imports of OCTG from Canada, Taiwan, and Israel increased substantially during the period. 36/ The aggregate share of U.S. consumption supplied by imports from the three countries also increased. 37/ 38/ The import figures for Israel alone show a small but sharply rising import volume and market penetration from 1983 to 1985. Although Israeli imports decreased in volume when January-September 1986 is compared to the comparable period of 1985, the market share held by those imports increased. 39/ 40/

During the investigation period, the volume of imported OCTG supplied from all sources increased from 1983 to 1984 and then declined from 1984 to 1985,

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36/ We of course only considered imports from Canada and Taiwan which entered the United States prior to the issuance of orders on imports from the two countries.
37/ Report at A-27. The figures relating to volume of imports and market share for both Canada and Taiwan are confidential, therefore our discussion here must be in general terms.
38/ Commissioner Rohr notes that he did not find it necessary to base his decision on a cross cumulated basis. The import volumes and market penetration aggregated on the basis of subsidized Israeli and Canadian product and on the basis of LTFV Israeli, Canadian and Taiwan product also both increased steadily during the period of investigation.
39/ Report at A-24 and A-31.
40/ The import totals for 1986 likely were affected by the filing of the petitions in the investigations of imports from Israel and the imposition of orders on Canadian and Taiwan OCTG.

and again from January-September 1985 to the comparable period of 1986. 41/ However, the domestic industry's market share steadily fell from 54.2 percent in 1983 to 48.9 percent in 1985, and from 46.5 percent in interim 1985 to 44 percent in interim 1986. 42/

Respondents argued that the imports under investigation, whether cumulated or not, constituted too small a volume to adversely affect the domestic industry. In our view, however, even small volumes may cause material injury to an industry as weakened and vulnerable as the domestic OCTG industry.

We note that several countries from which OCTG is imported have reduced their import levels because of voluntary restraint agreements (VRA's). 43/ Therefore, we would expect the domestic industry's condition to have improved more than it has. Its continuing difficulties are in part due to the entry of imports from countries such as Israel, Canada and Taiwan which have not signed VRA's and whose increased market share is replacing that of restrained countries and inhibiting U.S. producers' sales.

Comparisons of relative prices for domestic and imported OCTG from the countries cumulated in these investigations show significant underselling. Comparisons for imports from each of the three countries individually show underselling, with imports from Israel underselling the domestic product in

41/ Report at A-24, and Table 15.
42/ *Id.* at A-32 Table 17.
43/ *Id.* at A-41-A-42.

four of five comparisons. [44/]

The Commission obtained complete price series for 11 domestic OCTG categories from 1983 to 1985. Prices fell for eight of the 11 categories. Two of the three complete pricing series which continued through interim 1986 also declined. [45/] We find that the depression of domestic prices and profitability resulted in part from the presence of the unfairly traded imports in the market.

Based upon the foregoing considerations, we determine that the domestic industry is materially injured by reason of subsidized and LTFV OCTG imports from Israel.

44/ Id. at A-35. Oil Country Tubular Goods from Canada and Taiwan, supra p.4, at 11.
45/ Report at A-34.

VIEWS OF CHAIRMAN LIEBELER

Invs. Nos. 701-TA-271 and 731-TA-318 (Final)
Oil Country Tubular Goods from Israel

I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of oil country tubular goods (OCTG) from Israel, which the Department of Commerce has determined are being sold at less than fair value. I also determine that an industry in the United States is not materially injured or threatened with material injury by reason of subsidized imports of OCTG from Israel.[1] I concur with the majority in their discussion of like product, domestic industry, and discussion of the condition of the industry.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to

1 Material retardation is not an issue because the domestic industry producing OCTG is well established.

cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission answers both questions in the affirmative, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the antidumping law. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2]

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is

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2 C. Sands, Sutherland Statutory Construction, § 45.02 (4th ed. 1985).

defined as "harm which is not inconsequential, immaterial, or unimportant."[3] This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the 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 dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

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[3] 19 U.S.C. § 1977(7)(A)(1980).

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[4]

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[5]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "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

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4 Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

5 Id.

ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

> 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. * * * 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.[7]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that

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6 Id.

7 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

> 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.[8]

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[10]

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to

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8 Id.

9 See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3rd ed. 1983).

10 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit

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[11] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[13]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn. But first I will discuss cumulation.

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[12] Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

[13] Id. at 16.

[14] 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

Cumulation

Petitioners urge the Commission to cumulate imports of OCTG from Israel with imports from Canada and Taiwan. Imports from Canada are subject to a current antidumping order and a current countervailing duty order, both issued on June 16, 1986.[15] Imports from Taiwan are also subject to a current antidumping order issued on June 18, 1986.[16]

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 <u>subject to investigation</u> * * *."[17] Thus, the statute precludes a broader interpretation. In addition, it would be contrary to the injury requirement in Title VII to cumulate imports from countries subject to a final countervailing duty or antidumping order with imports from countries that are currently under investigation. The purpose of the investigation undertaken by the Commission

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15 51 Fed. Reg. 21,782-783.

16 51 Fed. Reg. 22,098.

17 19 U.S.C. § 1677(7)(C)(iv) (1980 & 1985 Supp.) (emphasis added).

is to determine whether the dumped or subsidized imports from the countries under investigation are causing or threaten to cause material injury to the domestic industry producing the like product. 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.[18] Therefore, I do not cumulate imports of OCTG from Israel with those from Taiwan and Canada.

Causation analysis

The share of the total apparent U.S consumption accounted for by OCTG imported from Israel was less than 0.05 percent in 1983, 0.1 percent in 1984 and 0.9 percent in 1985. In January-September 1986, penetration of imports of OCTG from Israel was 0.9 percent, compared with 0.8 percent in the corresponding period of 1985.[19]

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18 But See Butt Weld Pipe Fittings from Japan, Inv. No. 731-TA-309 (Final) USITC Pub. No. 1943 (1987),(Views of Chairman Liebeler).

19 Report at A-32.

I presume that there is no injury or threat of injury when the market penetration ratio is less than 2.5 percent.[20] Generally speaking, a small market share 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 and supply of the product is highly inelastic.

The demand for OCTG is likely to be inelastic for several reasons. First, OCTG is not directly consumed, but is a factor in the production of oil and natural gas, for which demand is 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 accounts for only a small share of the total cost of producing oil and natural gas.

However, for a small import penetration to have an effect on price, both the demand for and supply of the product have to be highly inelastic. Although the demand

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[20] For a complete discussion of this presumption, see Oil Country Tubular Goods from Israel, Invs. Nos. 701-TA-271, 731-TA-318 (Preliminary), USITC Pub. No. 1840, at 18-33 (Views of Vice Chairman Liebeler).

for OCTG is likely to be inelastic, there is evidence to suggest that supply is elastic. The domestic capacity utilization rates show high levels of excess capacity for the domestic industry during the period of investigation. Furthermore, the nature of entry and exit in the industry is characterized by the number of alternative uses for the equipment and facilities used in production and the ability to shift these factors out of the OCTG industry with little loss to the owners of those factors. In 1985, 50 percent of domestic OCTG shipments were electric-resistance welded, a process used for many other pipe and tube products. The cost of converting welded OCTG facilities to produce other types of pipe is relatively low. Therefore, domestic supply is likely to be relatively price elastic.[21] As a result, imports of OCTG from Israel will not have a significant effect on price.

Threat of Material Injury

The standard for an affirmative threat determination is that "the threat of material injury is real and that

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21 Office of Economics Memorandum, EC-K-050, at p.3-4 (February 9, 1987).

actual injury is imminent."[22] Although there may be idle capacity to produce OCTG in Israel as evidenced by the low capacity utilization rate, even if Israel's facilities were operating at 100% percent capacity, production would still represent only a tiny fraction of U.S. consumption. Moreover, there is nothing in the record in these investigations to indicate that the Israeli producer (METCO) plans to increase exports to the United States. OCTG represents a small quantity of METCO's total production; METCO produces other tubular products for the Israeli market and the demand for these products is not likely to decline. METCO exports all of its OCTG production to the United States, and there are no plans to increase these exports. Similarly, there is no evidence that there are large inventories of the subsidized or dumped OCTG in the United States available for sale. U.S. importers' inventories at the end of the January-September 1986 interim period were negligible in comparison to apparent U.S. consumption.

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22 19 U.S.C. § 1677 (7)(F))(ii).

Conclusion

Therefore, I conclude that an industry in the United States is not materially injured or threatened with material injury by reason of dumped imports of OCTG from Israel. I also determine that an industry in the United States is not materially injured or threatened with material injury by reason of subsidized imports of OCTG from Israel.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On June 11, 1986, the U.S. Department of Commerce (Commerce) published in the Federal Register (51 F.R. 21201) its preliminary determination that manufacturers, producers, or exporters of oil country tubular goods 1/ from Israel receive subsidies. Effective that date, the U.S. International Trade Commission (Commission) instituted final countervailing duty investigation No. 701-TA-271 (Final). In the Federal Register (51 F.R. 25382) of July 14, 1986, Commerce published a notice extending the deadline for its final countervailing duty determination on oil country tubular goods from Israel to November 3, 1986, to correspond to the date of the final antidumping determination on the same product. Commerce's preliminary antidumping determination with regard to oil country tubular goods from Israel was published in the Federal Register (51 F.R. 30259) of August 25, 1986. Again, effective that date, the Commission instituted final antidumping investigation No. 731-TA-318 (Final). In the Federal Register (51 F.R. 36442) of October 10, 1986, Commerce published a notice postponing its final countervailing duty and antidumping determinations on oil country tubular goods from Israel from November 3, 1986, to not later than January 7, 1987. On January 15, 1987, Commerce published in the Federal Register (52 F.R. 1649) its final determination that manufacturers, producers, or exporters of oil country tubular goods from Israel receive subsidies. Commerce's final antidumping determination with regard to oil country tubular goods from Israel was published in the Federal Register (52 F.R. 1511) of January 14, 1987. These countervailing duty and antidumping investigations were instituted under the provisions of the Tariff Act of 1930 to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise into the United States. 2/ The statute directs that the Commission make its final determinations within 45 days after receiving formal notification of Commerce's final determinations. The Commission is scheduled to make its final determinations by February 20, 1987.

Notice of the Commission's investigations and of the hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of July 9, 1986 (51 F.R. 24947), of September 10, 1986 (51 F.R. 32258), and of October 16, 1986 (51 F.R. 36874). 3/ The hearing was held in Washington, DC, on January 14, 1987. 4/ The briefing and vote on these investigations was held on February 12, 1987.

1/ For purposes of these investigations, the term "oil country tubular goods" includes 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/ A summary of previous countervailing duty and antidumping investigations with respect to oil country tubular goods is presented in app. A.

3/ Copies of the Commission's and Commerce's Federal Register notices are presented in app. B.

4/ A list of the witnesses who appeared at the hearing is presented in app. C.

Background

On March 12, 1986, petitions were filed with the Commission and Commerce by counsel for Lone Star Steel Co., Dallas, TX, (Lone Star) and CF&I Steel Corp. (CF&I), 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 that were alleged to be subsidized by the Government of Israel and that were 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. On April 28, 1986, the Commission determined that there is a reasonable indication that an industry in the United States is materially injured by reason of such imports. 1/

Nature and Extent of the Subsidies and Sales at LTFV

Subsidies

In its final determination, published on January 15, 1986, Commerce found that certain benefits which constitute subsidies within the meaning of the countervailing duty laws are being provided to the Middle East Tube Co., Ltd. (METCO), the only manufacturer, producer, or exporter in Israel of oil country tubular goods. The estimated net subsidy was 11.86 percent ad valorem. The period of investigation was calendar year 1985. Because the Commission, in previous investigations, had found oil well drill pipe to be a separate like product, and because Commerce did not consider the petitioners to be "interested parties" with respect to drill pipe, that product was not investigated by Commerce. Consequently, drill pipe is excluded from the Commission's final investigations. Commerce determined that subsidies are being provided by the Government of Israel to METCO under the following programs:

Program	Estimated net countervailable benefit: (percent ad valorem)
The Encouragement of Capital Investments Law:	
Investment grants	0.00
Long-term industrial development loans	5.02
Bank of Israel export loans:	
Export Production Fund	2.78
Export Shipments Fund	0.00
Imports-for-Exports Fund	1.16
Exchange Rate Risk Insurance Scheme	2.90
	11.86

1/ Vice Chairman Liebeler dissenting.

Of the above, the exchange rate risk insurance scheme and export loans are specifically disallowed under the General Agreement on Tariffs and Trade (GATT).

LTFV sales

On January 14, 1987, in its final determination, Commerce made fair value comparisons by examining 74 percent of all sales of Israeli oil country tubular goods to the United States from April 1985 to March 1986. Comparisons were based on the U.S. price and a constructed foreign-market value. The weighted-average margin for METCO, the manufacturer that accounted for all Israeli exports of the subject product, was calculated to be 11.96 percent. * * * sales examined were found to be at LTFV.

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. Drill pipe is excluded from the scope of these investigations; however, the data presented in this report include minimal amounts of drill pipe.

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. 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. High-volume wells may require tubing of a size comparable with that of small diameter casing; however, such wells are uncommon in the United States.

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. This product accounted for less than 0.5 percent of U.S. producers' shipments in 1985 and should it be excluded from these data, the trends in capacity, production, shipments, inventories, employment, and financial experience would be the same. During the period of investigation, no Israeli-produced drill pipe was imported into the United States.

In 1985, according to data received in response to Commission questionnaires in previous 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 scrap material) accounted for 1.8 percent of U.S. producers' shipments. U.S. shipments of Israeli oil country tubular goods were * * * casing and only * * * tubing. Similar data are also available on January-September 1986 U.S. and Israeli shipments; they show shipments of U.S. oil country tubular goods consisting of relatively less casing and shipments of Israeli products consisting of relatively more casing. Because 1985 data are based on a larger volume of U.S. and Israeli shipments and a slightly more complete response by U.S. producers, they will be presented in this section of the report to provide a more characteristic profile of the market for the period of these investigations. Mention will be made, however, if the 1986 data show a marked shift in the composition of shipments. Selected comparable data on Canadian and Taiwan oil country tubular goods are presented in the section on cumulation.

Oil country tubular goods are generally produced according to standards and specifications established by the 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 under nearly 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 previous investigations, 80 percent of total U.S. shipments in 1985 conformed to API specifications, 11 percent were seconds, rejects, and downgraded products, and 9 percent were products made to proprietary specifications. * * * of 1985 Israeli imports were API certified; * * * were seconds. 1986 data suggest a small shift towards API-certified products.

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

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

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." A similarly strong tubular product can also be produced by using more expensive metal alloys.

According to responses to Commission questionnaires in previous investigations, 67 percent of domestic shipments in 1985 were of the lower carbon grades (comparable with K55 and below), 27 percent were of the higher grades (comparable with C75 and above), and the rest were seconds or rejects. Relatively more low-grade oil country tubular goods were shipped during January-September 1986. 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, and during January-September 1986, slightly more, than one-half of all shipments of U.S.-produced casing and tubing 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 seam-annealed welded construction during January 1983-September 1986.

Welded oil country tubular goods are formed by passing flat-rolled products through a series of forming rollers that form the products into cylindrical shapes to be seam welded. The most commonly used process for welding oil country tubular goods is electric resistance welding (ERW), in which the cylinder edges are heated to a very high temperature with an electric resistance welder and are forced together under pressure exerted by rolls. 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, weighing, marking, and applications of a rust-preventive coating, thread protectors, and pipe oil.

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/ and from designated Communist countries (col. 2 rates of duty). 2/ However, Israeli-produced oil country

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 Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act, or to products of Israel 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.

tubular goods enter free of duty pursuant to the U.S.-Israel Free Trade Area Implementation Act.

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

(Percent ad valorem)

TSUS item No.	Oil country tubular goods covered	Rate of duty Column 1	Column 2
	Pipes and tubes and blanks therefor of iron (except cast iron) or steel:		
	Welded, jointed or seamed, with walls not thinner than 0.065 inch and of circular cross section:		
610.32	0.375 inch or more in outside diameter, other than alloy steel................	1.9%	5.5%
610.37	0.375 inch or more in outside diameter, of alloy iron or steel......	4.9% 1/	10% 1/
	Other:		
	Steel pipe conforming to API 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%	1%
610.40	Alloy steel..........................	3.3% 1/	8.5% 1/
	Threaded or otherwise advanced:		
610.42	Other than alloy steel................	6%	20%
610.43	Alloy steel..........................	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%	25%
610.52	Alloy iron or steel, except hollow bars............................	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 in headnote 4, schedule 6, pt. 2, subpt. B of the TSUS.

U.S. Producers

There are 22 firms that are known to have produced oil country tubular goods in the United States during the period of these investigations. The largest producers include * * *. Of this total, nine firms reported, as of September 15, 1986, that they had permanently ceased production of oil country tubular goods during the period under investigation. Four producers were temporarily shut down on that date; two of these were experiencing strikes by workers. Three producers reported minimal or no production of oil country tubular goods in their facilities during January-September 1986. Only five firms, * * *, reported any current production of oil country tubular goods as of September 15, 1986. The remaining producer, * * *, reported production during January-September 1986 but none as of September 15, 1986. 1/

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 during the period of investigation as reported in questionnaire responses approximate the imports from Israel as identified by 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, METCO. Four independent trading companies also reported imports of Israeli oil country tubular goods. Importers sometimes 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 2/ in 1982 to 1.4 million tons in 1983, or by 68 percent. Apparent consumption subsequently increased by 171 percent from 1983 to 1984 and then fell by 23 percent from 1984 to 1985 (table 2). The level of apparent consumption in 1985 remained 31 percent below the 1982 level. 3/ Apparent consumption during January-September 1986 was 57 percent below consumption during the corresponding period of 1985.

1/ Producers, their market shares, and operating status are presented in full in app. E.

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

3/ According to data submitted in previous investigations on oil country tubular goods. For purposes of comparison in this report, data will occasionally be presented from 1982, which spokesmen consider to have been a relatively good year for the industry, whereas they state that 1983 was a depressed year.

Table 2.--Oil country tubular goods: U.S. producers' domestic and intracompany shipments, imports, and apparent consumption, 1983-85, January-September 1985, and January-September 1986

(In thousands of tons)

Item	1983	1984	1985	Jan.-Sept.-- 1985	Jan.-Sept.-- 1986
U.S. producers' domestic and intracompany shipments........	782	1,602	1,471	1,090	446
Imports from--					
Israel........................	1/	4	26	18	9
All other countries...........	661	2,303	1,513	1,237	559
Total imports...............	661	2,307	1,539	1,255	568
Apparent consumption............	1,443	3,909	3,010	2,345	1,014

1/ Less than 500 tons.

Source: Inventories and U.S. producers' domestic shipments 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 products they could in order to be able to supply the anticipated demand. Imports 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 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 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 respondents 2/ and some representatives of the industry for depressed market conditions. Domestic producers' yearend inventories of

1/ Information on distributors was obtained in part in investigations Nos. 701-TA-215 through 217 (Final).
2/ Statement of Alan L. Madian, pp. 15-18.

oil country tubular goods, as reported in questionnaire responses, are shown in the following tabulation (in thousands of short tons):

As of--	End-of-period inventories
December 31--	
1983	222
1984	289
1985	232
September 30--	
1985	223
1986	158

Producers' inventories, however, do not represent the majority of industry inventories. Producers hold mostly prime oil country tubular goods in inventory. Three estimates 1/ of industry yearend inventory levels are presented in the following tabulation (in thousands of short tons):

As of--	Lone Star Steel Yard Survey	Pipe Logix	Preston Pipe Report
December 31--			
1983	3,975	2,872	4,073
1984	4,000	3,286	4,123
1985	3,000	3,469	3,354
1986	***	2,000	2,712

These figures suggest that total industry inventories rose slightly from 1983 to 1984 and two of the three studies show them falling by about one-fourth from 1984 to 1985. Estimates show a continuing decline in inventories during January-June 1986. By including changes in total inventory levels in the calculation of oil country tubular goods consumption, the average trend of the above published estimates indicates that consumption of oil country tubular goods approximated 3.5 million tons in 1983, rose to 3.7 million in 1984, and fell back to 3.5 million in 1985. Using the partial-year data available for 1986, this method suggests that January-September 1986 consumption of oil country tubular goods approximated 1.5 million tons. (These consumption figures may be somewhat overstated because a small portion of inventories deteriorate and must be scrapped or downgraded from oil country applicability.) The discrepancy between consumption figures derived from producers' questionnaires and those based on these industry estimates can be explained by the changes in distributors' and end-users' inventories, which is reflected in the latter.

Drilling declined from an average of 3,970 rigs in operation in 1981 to an average of 2,232 in 1983, rose slightly in 1984, than declined to an average of 1,980 rigs in 1985, and averaged 964 for the period January-

1/ The Lone Star Steel Yard Survey calculates inventories by actually adding up stocks reported by companies contacted and estimating those not included. Pipe Logix uses apparent consumption and footage drilled to arrive at its estimate. Preston Pipe Report monitors data on shipments and footage drilled for its figure. Data were obtained from Lone Star, Pipe Logix, and Preston Pipe Report. December 1986 numbers are preliminary estimates.

November 1986. The rig count has risen since July 1986 and a small increase is projected to continue through 1987. 1/ The trend in consumption of oil country tubular goods has usually followed the trend in the level of U.S. oil and gas drilling fairly closely.

Shallow wells are generally considered to be those that are 5,000 feet or less in depth. 2/ Such wells are less expensive to develop and they are much more numerous than deep wells; this is reflected by the relatively small 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 1983-86, as shown in the following tabulation (in feet): 3/

	Average depth
1983	4,180
1984	4,315
1985	4,271
1986 (estimated)	4,467

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 60 percent of total active rigs in the United States in November 1986, as shown in the following tabulation (in percent):

State	Share of active rigs nationwide, November 1986
Texas	32
Louisiana	15
Oklahoma	13
Subtotal	60
Kansas	6
California	5
Wyoming	4
New Mexico	3
All other	22
Total	100

Oil country tubular goods are sold by domestic mills most frequently to distributors (84 percent of total sales by U.S. producers in 1985, 78 percent during January-September 1986), which in turn sell the pipes to the end-users in the oil drilling industry, or directly to the end-users. * * * of the Israeli product was sold to distributors in 1985, and * * * of sales were to distributors during January-September 1986. 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

1/ Oil and Gas Journal, Sept. 15, 1986, p. 65, and phone conversation with staff at Hughes Tool Co. on Dec. 5, 1986.

2/ Posthearing brief of petitioners in investigations Nos. 701-TA-215 through 217 (Final), exhibit E, LTV Tubular Division Response, p. 4.

3/ Oil and Gas Journal, Sept. 15, 1986, p. 65, and Jan. 26, 1987, p. 65.

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 received in these and in previous investigations. All known producers of oil country tubular goods have responded to the questionnaire in these investigations. Capacity, production, shipments, and inventory data cover 100 percent of the industry for January 1983-September 1986. Some firms did not complete other sections of the questionnaire. Specifically, * * * did not provide employment data for January-September 1986. * * *; these changes account for a large part of the minor discrepancies between the shipments and employment figures included in this report and those in previous reports.

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

Other pipe and tube products may be, and are, produced in the facilities where oil country tubular goods are manufactured 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--sometimes less than an hour. Some U.S. producers have indicated that the capacity they reported includes facilities used not only for oil country tubular goods, but for all tubular products. Even in the boom years of the oil country tubular goods industry, a number of producers used only a small amount of their total tubular productive capacity in the manufacture of oil country tubular goods. Many of these firms are no longer producing oil country tubular goods. Capacity and production figures, as shown in table 3, include that data reported by all producers. However, one producer reported productive capacity which has not been utilized in the manufacture of oil country tubular goods during the entire period of investigation. Also, several U.S. firms reported productive capacity for one or more entire reporting periods for facilities where no oil country tubular goods were produced and which were later permanently shut down without resuming production. Such capacity has not been included in this report in the calculation of either total capacity or capacity utilization.

Table 3.--Oil country tubular goods: U.S. capacity and production, 1983-85, January-September 1985, and January-September 1986

(In thousands of tons)

Item	1983	1984	1985	January-September-- 1985	1986
Capacity............	5,777	5,203	4,680	3,504	3,272
Production..........	608	1,699	1,462	1,109	422

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

U.S. capacity to produce oil country tubular goods fell by 24.3 percent during the period of these investigations, from around 5.8 million tons in 1983 to an annualized figure of 4.4 million tons for 1986. 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 cut back production. Capacity fell by 9.9 percent from 1983 to 1984 and by 10.0 percent from 1984 to 1985. In both periods, several large, older, tubular product production facilities shut down and other new, smaller, ones came on line. 1/ From January-September 1985 to January-September 1986, capacity declined by another 6.6 percent as * * * more firms ceased production. Of the oil country tubular goods capacity reported for January-September 1986, a large portion is idle and several firms are only producing tubular products other than oil country tubular goods. As of September 15, 1986, firms comprising 37 percent of existing capacity reported current production, often at low operating levels. 2/

U.S. production of oil country tubular goods decreased dramatically from 1982 to 1983. Production increased by 180 percent from 1983 to 1984 but remained below the level of production in 1982. Production then decreased by 14 percent from 1984 to 1985, remaining 22 percent below the level of production in 1982. Production declined by 62 percent from January-September 1985 to January-September 1986.

In these investigations, many producers indicated that the capacity they reported refers only to the manufacture of oil country tubular goods and not capacity to produce all tubular products. However, some producers reported capacity to produce all tubular products and supplied data on the total tubular production in those facilities. Capacity utilization rates, based both on data reported by producers 3/ for whom production of the subject product has been the exclusive or predominant activity of the reported capacity, and on data reported by producers 4/ for production of all tubular products in the productive facilities within which oil country tubular goods are manufactured, are presented in the following tabulation (in percent):

Period	Capacity utilization rates for-- Oil country tubular goods	All tubular products
1983	28.4	18.4
1984	51.8	39.6
1985	46.0	37.5
January-September--		
1985	46.8	37.9
1986	22.0	20.3

With the decrease in production, utilization of productive capacity devoted to the manufacture of oil country tubular goods fell to 28.4 percent

1/ Construction of these facilities had been planned and undertaken prior to the decline in oil country tubular goods consumption.

2/ Producers, their market shares, and operating status are presented in full in app. E.

3/ These producers include * * *.

4/ These producers include * * *.

in 1983 and then increased to 51.8 percent as firms shut down oil country tubular goods facilities and production picked up. Despite continued capacity contraction, utilization rates declined again from 1984 to 1985 to a level of 46.0 percent. From January-September 1985 to the corresponding period of 1986, capacity utilization fell from 46.8 percent to 22.0 percent. These data do not suggest greatly different trends in the capacity utilization rates for oil country tubular goods facilities compared with that for all tubular production facilities.

U.S. producers' shipments

U.S. producers' shipments of oil country tubular goods followed a somewhat less pronounced trend than did production (table 4). Total shipments increased by 104 percent from 1983 to 1984 and then declined by 8 percent from 1984 to 1985. From January-September 1985 to the corresponding period in 1986, shipments declined by about 60 percent.

Table 4.--Oil country tubular goods: U.S. producers' shipments, 1983-85, January-September 1985, and January-September 1986

(In thousands of tons)

Period	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	13	795
1984	***	***	15	1,617
1985	***	***	24	1,494
January-September--				
1985	***	***	17	1,107
1986	***	***	***	***

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

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

U.S. producers' inventories

U.S. producers' yearend inventories of oil country tubular goods were equivalent to 28.0 percent of total annual shipments in 1983 (table 5). Inventories fell to 17.9 percent of shipments during 1984 and decreased again to 15.5 percent in 1985. This ratio rose to its highest point, * * *, during January-September 1986, from 20.2 percent in the corresponding period of 1985. Inventories fell by 30 percent during January-September 1986 and shipments declined twice as sharply during the same period.

Table 5.--Oil country tubular goods: U.S. producers' inventories and shipments, 1983-85, January-September 1985, and January-September 1986

Year	Inventories	Total shipments	Ratio of inventories to shipments
	---1,000 tons---		Percent
1983	222	795	28.0
1984	289	1,617	17.9
1985	232	1,494	15.5
January-September--			
1985	223	1,107	20.2
1986	158	***	***

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

Employment

Firms accounting for an average of over 98 percent of production and shipments during 1983-85 provided information on employment in the production of oil country tubular goods during those years. Comparable data for January-September 1985 and January-September 1986 represent firms accounting for an average of only * * * percent of production during those periods. * * *. The number of workers in the industry decreased from 12,897 in 1982 to 4,812 in 1983. Employment then increased by 55.3 percent from 1983 to 1984 and fell 8.7 percent from 1984 to 1985 (table 6). However, employment in 1985 remained well below that of 1982. From January-September 1985 to the corresponding period of 1986, available data reflect a 78.6 percent decline in employment.

Table 6.--Oil country tubular goods: Average number of production and related workers, hours worked by such workers, productivity, wages paid, total compensation, and unit labor costs, 1983-85, January-September 1985, and January-September 1986

Period	Number of workers	Hours worked	Productivity	Wages paid	Total compensation	Unit labor costs
		1,000	Tons/hour	----Per hour----		Per ton
1983	4,812	9,171	0.065	$12.83	$20.61	$319
1984	7,474	14,866	.112	12.77	18.06	161
1985	6,822	12,634	.113	13.64	19.45	172
Jan.-Sept. 1/--						
1985	***	***	.114	12.86	19.34	170
1986	***	***	.173	13.27	20.07	116

1/ Partial-year data include firms accounting for an average of * * * percent of production during January-September 1985 and January-September 1986.

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

Producers reported that most of the decrease in employment can be attributed to lack of orders. Strikes idled workers in mid-1986 at two firms; however, the data presented are not significantly affected by such declines. Most of these workers belong to the United Steelworkers of America. Their total compensation decreased by 12.4 percent, from $20.61 per hour in 1983 to $18.06 per hour in 1984. This decrease can be attributed to wage concessions negotiated between the unions and the employers. Total compensation then increased by 7.5 percent to $19.42 per hour in 1985. There was a 3.7 percent increase in hourly compensation from January-September 1985 to January-September 1986. Productivity increased steadily and unit labor costs declined during the period of investigation as firms shut down older production facilities.

Financial experience of U.S. producers

Eleven firms have supplied usable income-and-loss data concerning their overall establishment operations and their operations producing oil country tubular goods in the current investigations. These data are discussed below. A number of producers closed their operations prior to 1985 and have not submitted financial data in these investigations. Data from five of them, however, are available from previous investigations and are presented separately in this report. These sixteen firms accounted for 94.5 percent of U.S. shipments of oil country tubular goods in 1985. * * *.

Overall establishment operations.--As shown in table 7, aggregate net sales of all products produced in the establishments within which oil country tubular goods are produced 1/ increased sharply from $1.80 billion to $2.88 billion, or by 59.8 percent, from 1983 to 1984. 2/ Net sales increased 0.4 percent to $2.89 billion in 1985. Interim 1986 sales plunged sharply to $1.34 billion, representing a decline of 36.8 percent compared with sales during the 1985 interim period of $2.13 billion. Operating losses were $573.0 million in 1983, $288.8 million in 1984, and $241.1 million in 1985. The operating losses for the 1985 and 1986 interim periods were $157.6 million and $215.3 million, respectively. Operating loss margins, as a percent of sales, were 31.9 in 1983, 10.0 in 1984, and 8.4 in 1985. The operating loss margins for the 1985 and 1986 interim periods were 7.4 and 16.0, respectively. Nine firms reported operating losses in 1983, six firms suffered such losses in 1984 and five firms in 1985. In the 1985 and 1986 interim periods, five and six firms incurred such losses, respectively.

1/ Not included here are several producers that closed down their operations during 1983-85; their operating results were similar to the income-and-loss experience of the current respondents, i.e., generally losses for the 1983 to 1985 period or to the date of termination of operations.

2/ The report on the last investigations on this product (USITC Publication 1865, June 1986) included the 1982 accounting year, which was the last profitable year for the industry. Although the sharp increase in sales and reduced operating losses for 1984 versus 1983 reflect a recovery from the depressed 1983 industry conditions, annual sales for 1983-85 were substantially below the level of sales during 1982.

Table 7.--Oil country tubular goods: Income-and-loss experience of U.S. producers on the overall operations of their establishments in which oil country tubular goods are produced, accounting years 1983-85, and interim periods ended September 30, 1985, and September 30, 1986 1/ 2/

Item	1983	1984	1985	Interim period ended Sept. 30-- 1985	Interim period ended Sept. 30-- 1986
Net sales 1,000 dollars..	1,799,217	2,875,133	2,885,764	2,126,430	1,344,940
Cost of goods sold 1,000 dollars..	2,249,996	3,043,751	3,011,573	2,186,716	1,478,022
Gross profit or (loss) 1,000 dollars..	(450,779)	(168,618)	(125,809)	(60,286)	(133,082)
General, selling, and administrative expense..1,000 dollars..	122,254	120,165	115,267	97,312	82,235
Operating (loss)..do....	(573,033)	(288,783)	(241,076)	(157,598)	(215,317)
All other income or (expense) 3/ 1,000 dollars..	(145,207)	(148,824)	(167,668)	1,018	(10,006)
Net (loss) before income taxes 1,000 dollars..	(718,240)	(437,607)	(408,744)	(156,580)	(225,323)
Depreciation and amorization expense 1,000 dollars..	123,695	126,746	140,121	121,728	105,803
Cash (deficit) from operations 1,000 dollars..	(594,545)	(310,861)	(268,623)	(34,852)	(119,520)
Ratio to net sales of:					
Cost of goods sold percent..	125.1	105.9	104.4	102.8	109.9
Gross profit or (loss)....percent..	(25.1)	(5.9)	(4.4)	(2.8)	(9.9)
General, selling, and administrative expense......percent..	6.8	4.2	4.0	4.6	6.1
Operating (loss) percent..	(31.9)	(10.0)	(8.4)	(7.4)	(16.0)
Net (loss) before income taxes..percent..	(39.9)	(15.2)	(14.2)	(7.4)	(16.7)
No. of firms reporting:					
Operating losses......	9	6	5	5	6
Net losses...........	9	8	6	6	6
Data.................	11	11	10	8	9

1/ These firms are * * *.
2/ * * *.
3/ * * *.

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

<u>Operations on oil country tubular goods</u>.--The income-and-loss experience of the eleven U.S. producers on their operations producing oil country tubular goods is presented in table 8. Net sales increased sharply from $390.5 million to $1,039.6 million, or by 166.2 percent, from 1983 to 1984. Net sales decreased 3.0 percent to $1,008.7 million in 1985. Interim 1986 sales plunged sharply to $261.2 million, representing a decline of 63.9 percent compared with sales during the 1985 interim period of $723.4 million. Operating losses were $323.3 million in 1983, $224.4 million in 1984, and $116.2 million in 1985. The operating losses for the 1985 and 1986 interim periods were $79.7 million and $80.0 million, respectively. Operating loss margins, as a percent of sales, were 82.8 in 1983, 21.6 in 1984, and 11.5 in 1985. The operating loss margins for the 1985 and 1986 interim periods were 11.0 and 30.6, respectively. Eight firms reported operating losses in 1983, five firms suffered such losses in 1984, and six firms did so in 1985. In the 1985 and 1986 interim periods six and seven firms incurred such losses, respectively. The allocation methods used by U.S. producers to provide separate data for oil country tubular goods appear to be reasonable.

Table 8.--Oil country tubular goods: Income-and-loss experience of U.S. producers on their operations producing oil country tubular goods, accounting years 1983-85, and interim periods ended September 30, 1985, and September 30, 1986

Item	1983	1984	1985	Interim period ended Sept. 30-- 1985	1986
Net sales..1,000 dollars..	390,499	1,039,610	1,008,748	723,438	261,220
Cost of goods sold 1,000 dollars..	652,407	1,191,163	1,078,881	771,820	322,057
Gross profit or (loss) 1,000 dollars..	(261,908)	(151,553)	(70,133)	(48,382)	(60,837)
General, selling, and administrative expense....1,000 dollars..	61,364	72,896	46,084	31,270	19,200
Operating (loss) 1,000 dollars..	(323,272)	(224,449)	(116,217)	(79,652)	(80,037)
Depreciation and amortization expense 1,000 dollars..	37,438	60,517	61,150	28,757	16,728
As a share of net sales:					
Cost of goods sold percent..	167.1	114.6	107.0	106.7	123.3
Gross profit or (loss) percent..	(67.1)	(14.6)	(7.0)	(6.7)	(23.3)
General, selling, and administrative expense......percent..	15.7	7.0	4.6	4.3	7.4
Operating (loss)....do....	(82.8)	(21.6)	(11.5)	(11.0)	(30.6)
Number of firms reporting:					
Operating losses........	8	5	6	6	7
Data..................	11	11	10	8	9

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

Both the nonintegrated and integrated producers generally experienced operating losses for the reporting periods (table 9). Respondents assert that producers that manufacture oil country tubular goods from steel coil that they have purchased, i.e., "mini-mills," produce the type of product most comparable with, and which competes most closely with, the Israeli product. They further assert that these facilities have fared better financially than other producers. 1/ Such producers, as identified by respondents 2/, do, as a

Table 9.--Oil country tubular goods: Income-and-loss experience of U.S. producers on their operations producing oil country tubular goods, by nonintegrated and integrated producers, accounting years 1983-85, and interim periods ended September 30, 1985, and September 30, 1986

Item	1983	1984	1985	Jan.-Sept.-- 1985	Jan.-Sept.-- 1986
	Value (1,000 dollars)				
Net sales:					
Nonintegrated firms--					
Producing from coil 1/..	81,540	144,077	130,547	80,943	37,018
Producing from scrap....	64,868	166,624	129,735	62,155	17,390
Total nonintegrated...	146,408	310,701	260,282	143,098	54,408
Integrated firms--					
***....................	***	***	***	***	***
Total integrated......	244,091	728,909	748,466	580,340	206,812
Total..............	390,499	1,039,610	1,008,748	723,438	261,220
Gross profit or (loss):					
Nonintegrated firms--					
Producing from coil.....	6,890	7,931	13,517	8,066	1,057
Producing from scrap....	(24,581)	(17,852)	(5,007)	(6,880)	(12,079)
Total nonintegrated...	(17,691)	(9,921)	8,510	1,186	(11,022)
Integrated firms--					
***....................	***	***	***	***	***
Total integrated......	(244,217)	(141,632)	(78,643)	(49,568)	(49,815)
Total..............	(261,908)	(151,553)	(70,133)	(48,382)	(60,837)
Operating income or (loss):					
Nonintegrated firms--					
Producing from coil.....	2,763	3,040	9,782	5,761	(1,814)
Producing from scrap....	(29,409)	(23,123)	(11,678)	(11,530)	(14,697)
Total nonintegrated...	(26,646)	(20,083)	(1,896)	(5,769)	(16,511)
Integrated firms--					
***....................	***	***	***	***	***
Total integrated......	(296,626)	(204,366)	(114,321)	(73,883)	(63,526)
Total..............	(323,272)	(224,449)	(116,217)	(79,652)	(80,037)

See footnotes at end of table.

1/ Statement of Alan L. Madian, p. 9.

2/ Respondents identified Geneva, Maverick, Newport, Paragon, Quanex, and Tex-Tube as mini-mill producers.

Table 9.--Oil country tubular goods: Income-and-loss experience of U.S. producers on their operations producing oil country tubular goods, by nonintegrated and integrated producers, accounting years 1983-85, and interim periods ended September 30, 1985, and September 30, 1986--Continued

Item	1983	1984	1985	Jan.-Sept.-- 1985	Jan.-Sept.-- 1986
	Percent of net sales				
Gross profit or (loss):					
Nonintegrated firms--					
Producing from coil	8.4	5.5	10.4	10.0	2.9
Producing from scrap	(37.9)	(10.7)	(3.9)	(11.1)	(69.5)
Total nonintegrated	(12.1)	(3.2)	3.3	0.8	(20.3)
Integrated firms--					
***	***	***	***	***	***
Total integrated	(100.1)	(19.4)	(10.5)	(8.5)	(24.1)
Weighted average	(67.1)	(14.6)	(7.0)	(6.7)	(23.3)
Operating income or (loss):					
Nonintegrated firms--					
Producing from coil	3.4	2.1	7.5	7.1	(4.9)
Producing from scrap	(45.3)	(13.9)	(9.0)	(18.6)	(84.5)
Total nonintegrated	(18.2)	(6.5)	(0.7)	(4.0)	(30.3)
Integrated firms--					
***	***	***	***	***	***
Total integrated	(121.5)	(28.0)	(15.3)	(12.7)	(30.7)
Weighted average	(82.8)	(21.6)	(11.5)	(11.0)	(30.6)

1/ These producers are * * *. Respondents refer to these producers' facilities as mini-mills.

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

group, produce largely low-grade, carbon steel, seam-annealed casing, and available financial data suggest that they performed better during the period of investigation than other producers. The net sales trends for these producers are similar to those of the industry as a whole with the exception that operating losses, as a percent of net sales, declined for the industry in general from 1983 to January-September 1986, whereas mini-mill producers were profitable in 1983-85 and incurred a loss during January-September 1986.

Several producers 1/ closed down their oil country tubular goods operations subsequent to 1982. Their data, obtained from questionnaires in previous investigations, are shown in the following tabulation:

1/ These firms are * * *. Their data are not included in tables 8 and 9.

	1983	1984	1985
Net sales...1,000 dollars..	93,027	98,385	***
Cost of goods sold...do....	184,714	120,592	***
Gross profit or (loss) 1,000 dollars..	(91,687)	(22,207)	***
General, selling, and administrative expense 1,000 dollars..	12,514	5,394	***
Operating income or (loss) 1,000 dollars..	(104,201)	(27,601)	***
Number of firms reporting:			
Operating losses.........	5	2	***
Data....................	5	3	***

The data for these former producers are combined with the questionnaire responses that were used for the current investigations (table 8) and summarized in table 10.

Table 10.--Oil country tubular goods: Income-and-loss experience of U.S. producers on their operations producing oil country tubular goods, current and past producers, accounting years 1983-85 1/

Item	1983	1984	1985
Net sales.............1,000 dollars..	483,526	1,137,995	***
Cost of goods sold.............do....	837,121	1,311,755	***
Gross profit or (loss).........do....	(353,595)	(173,760)	***
General, selling, and administrative expenses............1,000 dollars..	73,878	78,290	***
Operating income or (loss)......do....	(427,473)	(252,050)	***
As a share of net sales:			
Cost of goods sold.........percent..	173.1	115.3	***
Gross profit or (loss)........do....	(73.1)	(15.3)	***
General, selling, and administrative expenses......1,000 dollars..	15.3	6.9	***
Operating income or (loss)....do....	(88.4)	(22.1)	***
Number of firms reporting:			
Operating losses..................	13	7	***
Data..............................	16	14	***

1/ Interim data were not provided by prior producers. Refer to table 8 for current producers' data.

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

Investment in productive facilities.-- Six firms supplied data in these investigations concerning their investment in productive facilities employed in the production of oil country tubular goods. As shown in table 11, their aggregate investment in facilities employed in the production of oil country tubular goods, valued at cost, rose from $139.1 million at yearend 1983 to $152.7 million at yearend 1985. The book value of such assets was $73.3 million at yearend 1985. The investment as of September 30, 1986, was $109.2 million compared with $107.8 million as of September 30, 1985.

Table 11.--Oil country tubular goods: U.S. producers' end-of-period valuation of fixed assets, 1983-85, and interim periods ended September 30, 1985, and September 30, 1986

(In thousands of dollars)

Item	1983	1984	1985	Interim period ended Sept. 30-- 1985	1986
Original cost.................	139,121	151,472	152,660	107,819	109,208
Book value....................	74,096	78,119	73,321	47,236	43,727

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

The following companies reported nonrecurring charges to their operations during specified years, 1983-85:

* * * * * * *

Capital expenditures.--Five firms supplied data in these investigations concerning their capital expenditures on oil country tubular goods during the reporting period. In 1982, following a year of record sales, several U.S. producers of oil country tubular goods completed expansion programs that increased their capacity to produce oil country tubular goods. These expenditures dropped to * * * in 1983, increased to * * * in 1984, and fell again in 1985 to * * *. In interim 1986, spending was * * *, down from * * * in interim 1985 (table 12).

Table 12.-Oil country tubular goods: U.S. producers' capital expenditures, 1983-85, and interim periods ended September 30, 1985, and September 30, 1986

* * * * * * *

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 * * * in 1983 to * * * in 1984 and to * * * in 1985. These data are 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, (1) increases of inventories of the subject merchandise in the United States, (2) 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, (3) any rapid increase in imports of the subject merchandise into the United States,

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(4) an increase in U.S. market penetration, (5) any substantial increase in inventories of the merchandise in the exporting country, and (6) the potential for product shifting if production facilities owned or controlled by the foreign manufacturers 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.

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 * * *. Inventory levels rose from * * * tons on September 30, 1985, to * * * tons by September 30, 1986. Inventories of Israeli oil country tubular goods were * * * of importers' shipments in 1985 and they rose to * * * of January-September 1986 shipments. * * *. Information concerning inventories held by importers of oil country tubular goods from Israel is presented in table 13.

Table 13.--Oil country tubular goods: Importers' end-of-period inventories and shipments of the product imported from Israel, 1983-85, January-September 1985, and January-September 1986

*   *   *   *   *   *   *

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 have been no active drilling rigs in Israel during the period of these investigations. 1/ A spokesman for METCO has testified that the Israeli producer has no plans to increase its welded capacity or, in the foreseeable future, produce seamless oil country tubular goods. Oil country tubular goods represent only a small quantity of METCO's total production; the company produces other tubular products for the Israeli market and demand for these products is not expected to decline. METCO exports all of its oil country tubular goods production to the United States and there are no plans to increase these exports. METCO produced and exported primarily plain-end, seam-annealed, J-55 grade, carbon steel casing; small amounts of tubing and K-55 grade casing were also exported to the United States. 2/ Information on the Israeli oil country tubular goods industry is presented in table 14.

Table 14.--Oil country tubular goods: Production and trade data for METCO, 1983-85, January-September 1985, and January-September 1986

*   *   *   *   *   *   *

1/ Oil and Gas Journal, Mar. 31, 1986, p. 107.
2/ Testimony at the hearing. See pp. 61-64 of the transcript.

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

U.S. imports

During January 1983-September 1986, oil country tubular goods entered the United States under many of the same TSUS items as tubular goods not under investigation. 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. The concordance is used to allocate the quantity of products entering under each relevant TSUS item that is to be recorded as oil country tubular goods and the quantity that is to be recorded as various 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.

The principal sources of these January-September 1986 imports were Japan, the Republic of Korea (Korea), the Federal Republic of Germany (West Germany), Canada, and Italy, as shown in the following tabulation (in percent): 1/

Source	January-September 1986
Israel	1.6
Japan	38.3
Korea	13.1
West Germany	11.6
Canada	10.1
Italy	4.3
All other	21.0
Total	100.0

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 15). Total imports declined by 55 percent from January-September 1985 to the corresponding period of 1986.

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. These imports totaled 18,000 tons during January-September 1985 and 9,000 tons in the corresponding period of 1986. 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. They accounted for 1.5 percent of January-September 1985 imports and 1.6 percent of January-September 1986 imports. Official statistics show over 99 percent of the imports from Israel entering through the port of Houston, TX.

1/ Official statistics for 1984 and 1985 tend to overestimate imports from Canada by some 15 percent. If the same is true in 1986, the percentage of total imports that were supplied by Canada will be slightly smaller.

Table 15.--Oil country tubular goods: U.S. imports for consumption, from Israel and other selected sources, 1983-85, January-September 1985, and January-September 1986

Source	1983	1984	1985	Jan.-Sept.-- 1985	Jan.-Sept.-- 1986
	Quantity (1,000 tons)				
Israel	1/	4	26	18	9
Japan	267	662	571	444	218
Korea	49	286	183	161	74
Canada 2/	29	145	150	139	57
West Germany	51	336	122	101	66
Italy	140	295	126	121	24
All other	125	552	338	271	120
Total 3/	661	2,307	1,539	1,255	568
	Value (million dollars) 4/				
Israel	5/	2	11	8	3
Japan	181	444	447	382	166
Korea	19	124	83	76	32
Canada 2/	23	96	88	89	30
West Germany	30	182	78	71	42
Italy	95	141	85	83	14
All other	73	274	201	168	62
Total 3/	421	1,275	995	869	346

1/ Less than 500 short tons.
2/ Official statistics for 1984 and 1985 tend to overestimate imports from Canada by some 15 percent. Therefore, revised figures are presented for these two periods. Such revisions are not available for January-September 1985 and January-September 1986; for these, official Commerce data are presented.
3/ Figures do not always add to totals because different sources were used.
4/ C.i.f., duty-paid.
5/ Less than $500,000.

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

Cumulative effects of Israeli, Canadian, and Taiwan imports

The Trade and Tariff Act of 1984, at section 612(a)(2)(A), amends title VII of the Tariff Act of 1930 by adding a new subsection which establishes:

> 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.

The Conference Report accompanying the Act notes that:

> The provision requires cumulation of imports from various countries that each account individually for a small percentage of total market penetration but when combined may cause material injury.... Of course, imports of like products from countries not subject to investigation would not be included in the cumulation. 1/

Petitioners assert that imports of Canadian and Taiwan oil country tubular goods prior to the issuance of final antidumping and countervailing duty orders for those products should be cumulated with Israeli imports for the purpose of determining injury to the domestic industry. Final antidumping and countervailing duty orders for Canada went into effect on June 16, 1986, and final antidumping orders for Taiwan went into effect on June 18, 1986. Therefore, the trade data presented in this section exclude imports from Canada and Taiwan after June 1986. Respondents, on the other hand, argue that imports of Canadian and Taiwan oil country tubular goods are no longer "subject to investigation" and ought not to be cumulated by the Commission for its determinations. 2/

Commerce, in its final determinations, did not find all imports of oil country tubular goods from Canada to be unfairly traded. Only one identified Canadian exporter of the subject product was found to be receiving countervailable benefits from the Government of Canada. Conversely, only one other Canadian exporter, Welded Tube of Canada, was found not to be selling its products in the U.S. market at LTFV. Data on imports from Canada in this section are presented separately for subsidized and dumped imports; the former include only shipments by the Canadian firm found to be receiving countervailable subsidies and the latter represent revised official statistics for imports from Canada excluding shipments by Welded Tube. These Canadian firms reported their 1983-85 U.S. shipments to the Commission in the investigations on oil country tubular goods from Canada. Comparable data are not available for other time periods. For January-September 1985 and January-June 1986, official Commerce statistics are presented. In both 1984 and 1985, the official statistics were found to overestimate actual oil country tubular goods imports from Canada by some 15 percent. In 1985, the Canadian firm found to be receiving countervailable subsidies accounted for * * * of the official imports recorded from Canada; Welded Tube accounted for * * * of both the official and revised figures.

In the investigations on oil country tubular goods from Canada and Taiwan, it was determined that official statistics greatly overestimate actual imports from Taiwan. Commerce identified the Far East Machinery Co. (FEMCO) as the only Taiwan manufacturer and exporter of the subject product, which was found to be sold at LTFV in the United States. FEMCO reported its U.S. shipments during 1983-85 to the Commission in those investigations, as did importers of the Taiwan product. Data on imports from Taiwan in this section of the report represent imports as reported in questionnaire responses. Comparable data are not available for January-September 1985 and January-June 1986. For those periods, SSSI data obtained from Commerce is presented, which still significantly overestimate actual imports from Taiwan. In 1985, imports into the United States as reported by importers of the Taiwan product represented * * *

1/ H. Rept. 98-1156, 98th Cong., 2d sess., reprinted in 131 Congressional Record 11531 and 11578 (Oct. 5, 1984).

2/ Parties have presented their arguments concerning the appropriateness of cumulation in their prehearing and posthearing briefs and at the hearing.

of the imports from Taiwan as reflected in SSSI data.

As shown in table 16, aggregated imports of subsidized Israeli and Canadian as well as LTFV Israeli, Canadian, and Taiwan oil country tubular goods increased steadily during 1983-85. The share of apparent consumption at least tripled and, in terms of quantity, imports increased even more sharply. The subsidized Israeli and Canadian imports rose * * *, increasing their market share * * * of apparent consumption. Likewise, LTFV imports from Israel, Canada, and Taiwan rose * * *, increasing their market share * * * of apparent consumption.

Table 16.--Oil country tubular goods: Imports and shares of U.S. consumption supplied by Israel, selected Canadian producers and exporters, 1/ and Taiwan, by types of investigation/outstanding order, 1983-85

Source	1983	1984	1985
	Imports (1,000 tons)		
Countervailing duty:			
Israel	2/	4	26
Canada	***	***	***
Total	***	***	***
Antidumping:			
Israel	2/	4	26
Canada	***	***	***
Taiwan	***	***	***
Total	***	***	***
	Share of apparent consumption (percent)		
Countervailing duty:			
Israel	3/	0.1	0.9
Canada	***	***	***
Total	***	***	***
Antidumping:			
Israel	3/	0.1	0.9
Canada	***	***	***
Taiwan	***	***	***
Total	***	***	***
	Imports (million dollars) 4/		
Countervailing duty:			
Israel	5/	2	11
Canada	***	***	***
Total	***	***	***
Antidumping:			
Israel	5/	2	11
Canada	***	***	***
Taiwan	***	***	***
Total	***	***	***

See footnotes at end of table.

Table 16.--Oil country tubular goods: Imports and shares of U.S. consumption supplied by Israel, selected Canadian producers and exporters, 1/ and Taiwan, by types of investigation/outstanding order, 1983-85--Continued

Source	1983	1984	1985
	Market penetration (percent)		
Countervailing duty:			
Israel	3/	0.1	0.7
Canada	***	***	***
Total	***	***	***
Antidumping:			
Israel	3/	0.1	0.7
Canada	***	***	***
Taiwan	***	***	***
Total	***	***	***

1/ Data for the countervailing duty investigation/order include only the Canadian firm found to be receiving countervailable subsidies, and data for the antidumping investigation/orders include all Canadian producers and exporters except Welded Tube of Canada, Ltd.
2/ Less than 500 tons.
3/ Less than 0.05 percent.
4/ C.i.f., duty-paid.
5/ Less than $500,000.

Source: Compiled from official Commerce statistics and revisions thereof and 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.

Measured in terms of value, subsidized Israeli and Canadian imports and aggregated LTFV Israeli, Canadian, and Taiwan imports rose sharply from 1983 to 1985 and the market penetration of the imports more than doubled. Subsidized Israeli and Canadian imports rose * * *, increasing their market penetration * * *. Likewise, LTFV imports from Israel, Canada, and Taiwan rose * * *, increasing their market penetration * * *.

Total imports from Israel during January-September 1985 and January-September 1986 and from Canada and Taiwan during January-September 1985 and January-June 1986 are shown in the following tabulation, along with the January-September 1985 and January-September 1986 market shares held by the imports:

	Imports		Market share	
	Interim 1985	Interim 1986	Interim 1985	Interim 1986
	(1,000 tons)		(Percent)	
Israel	18	9	0.8	0.9
Canada	139	40	5.9	3.9
Subtotal	157	49	6.7	4.8
Taiwan	2	2	0.1	0.2
Total	159	51	6.8	5.0

Commerce statistics show that during January-September 1985, imports from Canada and Israel totaled 157,000 tons, representing a 6.7 percent market share. January-June 1986 imports from Canada and January-September 1986 imports from Israel amounted to 49,000 tons, accounting for 4.8 percent of the January-September 1986 market. Aggregated imports from Israel, Canada, and Taiwan totaled 159,000 tons during January-September 1985, representing a 6.8 percent market share. Israeli imports during January-September 1986 plus Canadian and Taiwan imports during January-June 1986 amounted to 51,000 tons, representing 5.0 percent of the January-September 1986 market.

Parties in these investigations dispute the extent to which Israeli oil country tubular goods compete with the Canadian and Taiwan products for the purposes of cumulation. For example, petitioners maintain, and respondents deny, that welded seam-annealed and seamless oil country tubular goods compete with each other. All of the imports from Israel and Taiwan have been of seam-annealed welded construction. According to information received in response to Commission questionnaires in previous investigations, imports of seamless Canadian oil country tubular goods * * * imports of the welded product in 1985.

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 previous investigations on oil country tubular goods have argued that the Commission find that seamless and welded pipes and tubes were distinct like products. Counsel for the Israeli producer did not make this argument but nevertheless asserted that seamless and welded products do not compete for purposes of cumulation. According to respondents' counsel in these and in prior investigations, the welded product is potentially weaker than the seamless product. Also, seamless and welded oil country tubular goods are produced and finished by different processes. As a consequence, 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/

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

2/ Arguments regarding the distinction between seamless and welded oil country tubular goods have been presented in numerous previous investigations involving this product. These arguments were reiterated by respondents in their briefs, in the Statement of Alan L. Madian, and at the hearing in these investigations.

According to selling price data of oil country tubular goods obtained by the Commission in its questionnaires in previous investigations, the full-body normalized oil country tubular goods (a high-quality welded product) sold at price levels comparable with 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 F and discussed in the price section of this report.

According to staff discussions with producers, importers, distributors, 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 * * * clearly differentiated between seamless and welded products 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 tubular goods to be comparable with seamless tubular goods 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.

Petitioners and respondents also dispute the extent to which Israeli and Canadian and Taiwan oil country tubular goods compete based on area(s) of sales and use. Petitioners cite a considerable overlap in the marketing areas of Israeli, Canadian, and Taiwan oil country tubular goods, whereas respondents assert that any overlap consists primarily of seamless Canadian material. According to questionnaire responses, all Israeli oil country tubular goods entered the United States through the port of Houston, TX, and respondents report sales only in the Gulf coast area. Similar sources report that the Taiwan product follows * * * marketing pattern. Commerce statistics show that Canadian oil country tubular goods enter the United States overwhelmingly through northern ports of entry, as shown in the following tabulation:

Port of entry	Percent of total imports in 1985
Detroit, MI	51.1
Buffalo, NY	23.0
Great Falls, MT	17.1
Anchorage, AK	4.0
Other northern ports	4.7
Gulf coast ports	0.2
Total	100.0

Petitioners specify that Algoma, IPSCO, Sonco, and Stelco are Canadian oil country tubular goods producers whose products are present in the Israeli marketing area. Algoma, * * *, maintains a sales office in Houston, and reported that * * * of its 1984, and * * * of its 1985, U.S. sales were in the States of Texas, Louisiana, and Oklahoma. IPSCO, * * *, maintains a Houston sales office and receives numerous inquiries from companies in Texas, Louisiana, and Oklahoma but reported only * * * inventories in, and * * * of its 1984-85 U.S. shipments to, those three States. Sonco, * * *, reported * * * 1984-85 sales in Texas, Louisiana, and Oklahoma. Stelco, * * * reportedly maintains a Houston sales office but staff was unable to document inventories or sales in the Gulf coast States. Based on available information, * * * of 1984, and * * * of 1985, U.S imports of Canadian oil country tubular goods, as reported by importers, were marketed in the States of Texas, Louisiana, and Oklahoma. These sales were * * * seamless Canadian products. Other imports from Canada are believed to be welded and reject pipe and to be sold primarily in the northern and central United States.

* * * purchasers of the Israeli product who were contacted stated that they tended to purchase from low-price sources but were unable to identify specific suppliers.

Finally, respondents assert that casing and tubing do not compete for purposes of cumulation. U.S. shipments of Israeli oil country tubular goods in 1985 were * * * casing and only * * * tubing. In the same year, U.S. shipments of Canadian oil country tubular goods consisted overwhelmingly of casing (* * *), whereas the Taiwan product was * * * casing and * * * tubing.

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 Israeli imports

In terms of quantity, the share of the market for oil country tubular goods supplied by imports from all sources increased from 45.8 percent in 1983 to 58.9 percent in 1984, and then declined to 51.1 percent in 1985 (table 17). Imported oil country tubular goods represented 53.5 percent of consumption during January-September 1985 and 56.0 percent in the corresponding period of 1986. 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. Israel's market share increased from 0.8 percent to 0.9 percent from January-September 1985 to January-September 1986.

Table 17.--Oil country tubular goods: Shares of U.S. consumption supplied by Israel, all other countries, and U.S. producers, 1983-85, January-September 1985, and January-September 1986

Item	1983	1984	1985	Jan.-Sept.-- 1/ 1985	1986
Quantity:					
U.S. consumption------1,000 tons--	1,443	3,909	3,010	2,345	1,014
Share of U.S. consumption supplied by--					
Israel-----------------percent--	2/	0.1	0.9	0.8	0.9
All other countries-------do----	45.8	58.9	50.3	52.8	55.1
Subtotal 3/-------------do----	45.8	59.0	51.1	53.5	56.0
U.S. producers------------do----	54.2	41.0	48.9	46.5	44.0
Total-------------------do----	100.0	100.0	100.0	100.0	100.0
Value:					
U.S. consumption--million dollars-	806	1,896	1,473	1,162	451
Shares of U.S. consumption supplied by--					
Israel-----------------percent--	2/	0.1	0.7	0.7	0.7
All other countries-------do----	52.3	67.2	66.9	74.1	75.9
Subtotal 3/-------------do----	52.3	67.3	67.6	74.8	76.6
U.S. producers------------do----	47.7	32.7	32.4	25.2	23.4
Total-------------------do----	100.0	100.0	100.0	100.0	100.0

1/ The value of U.S. consumption during the partial-year periods is somewhat understated as the value of shipments by * * * is excluded; thus, the market share of U.S. producers will also be somewhat understated.
2/ Less than 0.05 percent.
3/ Because of rounding, figures may not total.

Source: Consumption figures compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Imports based on official statistics of the U.S. Department of Commerce.

Measured in terms of value, imports accounted for an increasing share of the U.S. oil country tubular goods market during the period of investigation as U.S. shipments declined. Market penetration by value of the Israeli product rose from 0.1 percent in 1984 to 0.7 percent during January 1985-September 1986. Market penetration during 1983-85 by the subsidized and LTFV Canadian imports, and by LTFV Taiwan material, is presented in the section on cumulation.

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/ *** of the five importers of Israeli oil country tubular goods quote prices on an ex-dock, c.i.f., duty-paid basis. * * * quote on an f.o.b. truck, duty-paid, port-of-entry basis, and the remaining *** quote prices on an f.o.b. U.S. warehouse basis.

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, grade of steel, and the extent and type of end finishing. 2/ Price data for 1983-85 were available from nine U.S. producers, accounting for 84 percent of U.S. shipments in 1985, from the Commission investigations on oil country tubular goods from Argentina, Canada, and Taiwan. In the preliminary phase of the current investigations, U.S. importers of the Israeli product were asked to provide price data comparable with that already available from U.S. producers. In the final phase of the investigations, U.S. producers and importers of Israeli oil country tubular goods were requested to provide price data for some of these same items as well as for several additional items. In all, U.S. producers and importers of the Israeli product were requested to provide their net selling prices for the following representative categories of oil country tubular goods:

API oil field casing, 4-1/2-inch outside diameter by 10.23 pounds per foot for plain-end and 10.5 pounds per foot for threaded and coupled, seam-annealed, full-body normalized, and seamless;

API oil field casing, 5-1/2-inch outside diameter by 16.87 pounds per foot for plain-end and 17 pounds per foot for threaded and coupled, seam-annealed, full-body normalized, and seamless;

API oil field casing, 8-5/8-inch outside diameter by 24.00 pounds per foot, plain-end, seam-annealed, full-body normalized, and seamless;

API oil field casing, 9-5/8-inch outside diameter by 36.00 pounds per foot, plain-end, seam-annealed, full-body normalized, and seamless;

API oil field tubing, 2-3/8-inch outside diameter by 4.43 pounds per foot for plain-end and 4.7 pounds for threaded and coupled, external upset end, seam-annealed, full-body normalized, and seamless.

The oil country tubular goods were distinguished by size, type of end finishing, method of production, and grade, resulting in 27 categories for

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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/ Oil country tubular goods are sold with either unfinished ends (plain-end) or finished ends (threaded and coupled). 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.

which prices were already available or requested. Prices were not obtained for all categories for every quarter from January 1983-September 1986. For example, prices were requested for only 15 categories for January-September 1986. Some of the 1986 data are described separately but have not been incorporated into the tables because they are not consistent with the weighted-average prices for the preceding period.

Four U.S. producers, accounting for 74.5 percent of U.S. shipments during January-September 1986, submitted usable data in these investigations. Price trends were observable for 11 products. The weighted-average net selling prices and quantities based on price data reported by U.S. producers are shown by product categories in tables F-1 through F-3. Three importers, accounting for 90 percent of imports of Israeli oil country tubular goods in 1985, provided usable price data for two of the products for some quarters in 1985 and 1986. One price trend was discernable. All of the Israeli prices were for plain-end, seam-annealed, J-55 oil country tubular goods. However, U.S. producers reported only a few prices for plain-end, seam-annealed, J-55 material. Thus few direct price comparisons could be made.

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, seam-annealed, full-body normalized, or seamless, has a significant effect on price. Pricing data for oil country tubular goods reported by these production methods show that seam-annealed products were the lowest in price, full-body normalized products were significantly higher in price, and seamless products were generally somewhat higher in price than the full-body normalized products. All imports of Israeli oil country tubular goods were seam-annealed; the large majority was J-55 grade casing, with a small amount being tubing. 1/

Price trends.--Based on the f.o.b. selling prices reported by U.S. producers, almost complete quarterly series were derived for 11 domestic oil country tubular categories for sales to distributors. Prices generally fluctuated but fell * * * during January-March 1983 through October-December 1985 for eight of the categories. 2/ The reported prices for three of the domestic oil country tubular good categories, however, increased over the same period * * *. Price data through July-September 1986 that were consistent with the preceding period were available for 3 of these 11 price series. Prices for these three series fluctuated in 1986 with two of the series decreasing * * * from October-December 1985 to July-September 1986. The remaining price series increased * * * over the same period.

1/ Based on importers' questionnaire responses.

2/ Data through 1986 were available from two U.S. producers that reported prices for different products. Prices reported by one U.S. producer for * * *. Prices for * * *. Prices reported by the same U.S. producer for * * *.

From January-March 1983 to October-December 1985, domestic producers' prices of the subject products showed no consistent trends. The two price series for 4-1/2-inch seam-annealed casing, which is similar to the product imported from Israel, peaked during July-September of 1984, while declining overall between January-March 1983 and October-December 1985. Similarly, in all of the three categories for which prices increased from the January-March 1983 price, the price series peaked and then declined. The peaks for two of these price series (2-3/8-inch tubing, seam-annealed, plain-end; and 2-3/8-inch tubing, seamless, plain-end) occurred during July-September 1984. Other product categories fluctuated and generally declined 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, threaded and coupled). Similarly, the greatest percentage price decrease, * * *, occurred for 4-1/2-inch casing (seamless, threaded and coupled). In contrast, seam-annealed casing and tubing showed the smallest percentage price changes. These changes stayed within a range of * * * for both price increases and decreases.

As in the preceding period, price data for 1986 showed no consistent trends. Prices for the 4-1/2-inch oil field casing product increased * * * from October-December 1985 through April-June 1986 before decreasing * * * during July-September 1986 while marking an overall increase * * * in 1986. Prices for the two oil field tubing categories both decreased * * * and * * *, respectively, from October-December 1985 through July-September 1986.

The only price series for an Israeli product in which a trend was marginally discernible, * * *, decreased * * * over the period January-March 1985 to April-June 1986 (table 18).

<u>Price comparisons</u>.--The reported selling price data resulted in five direct quarterly price comparisons between domestic and imported oil country tubular goods from Israel sold to distributors during January-March 1985 through September-December 1985. Four of these showed underselling of the Israeli product. Three of the five comparisons were for seam-annealed, 4-1/2-inch oil field casing (table 18). The imported casing was sold at prices which were between * * * less than the weighted-average net selling price of U.S. producers in all three quarters. Data for imported and U.S.-produced * * * gave the two remaining price comparisons. The reported * * * price of * * * of Israeli seam-annealed, plain-end * * * was * * * higher than the U.S. product price * * * in the same quarter. During * * *, the Israeli product price * * * was * * * less than the U.S. product price * * *.

<u>Exchange rates</u>

Quarterly data reported by the International Monetary Fund indicate that during January 1983-September 1986 the nominal value of the Israeli sheqalim depreciated relative to the U.S. dollar in every successive interval except

Table 18.--API oil field casing: U.S. producers' and importers' weighted-average net selling prices to service centers/distributors for 4-1/2-inch outside diameter oil field casing, 1/ by quarters, January 1983-September 1986

Period	U.S. product price	Israeli product Price	Margin of underselling Amount	Margin of underselling 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-March	440.65	***	***	***
April-June	448.65	***	***	***
July-September	424.74	***	***	***
October-December	420.19	2/	-	-
1986:				
January-March	3/	***	-	-
April-June	3/	***	-	-
July-September	3/	2/	-	-

1/ Oil field casing, 4-1/2-inch outside diameter, seam annealed, grade J-55, plain-end.
2/ Not available.
3/ Prices for this product reported by * * * were * * *.

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

one, by an overall 97.5 percent (table 19). 1/ Vastly higher levels of inflation in Israel relative to those in the United States over the 15-quarter period offset much of the nominal currency depreciation. The value of the Israeli sheqalim adjusted for the relative inflation rates decreased irregularly during January 1983-September 1985 and then increased from October-December 1985 through July-September 1986. By July-September 1986, the real Israeli exchange rate increased to a level that was 1.2 percent above its January-March 1983 level.

1/ International Financial Statistics, November 1986.

Table 19.--U.S.-Israeli exchange rates: 1/ Nominal-exchange-rate equivalents of the Israeli sheqalim in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Israel, 2/ indexed by quarters, January 1983-September 1986

Period	U.S. Producers Price Index	Israeli Producers Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/
			----US dollars/sheqalim---	
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	66.12	99.1
October-December	101.8	234.4	41.09	94.6
1984:				
January-March	102.9	346.2	28.10	94.6
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
1986:				
January-March	101.3	3,776.0	2.47	92.0
April-June	99.4	3,957.2	2.47	98.4
July-September	99.0	4,070.5	2.46	101.2

1/ Exchange rates expressed in U.S. dollars per Israeli sheqalim.
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 indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producers Price Indexes in the United States and Israel. Producer prices in the United States decreased 1.0 percent during the period January 1983 through September 1986. In contrast, producer prices in Israel increased 3,970.5 percent during the period under investigation.

Note.--January-March 1983=100.0.

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

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.

APPENDIX A

PREVIOUS 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 0.24 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. 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, and the

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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.

establishment of an industry in the United States was not materially retarded, by reason of imports from Korea 1/ of oil country tubular goods. 2/

On July 31, 1985, and August 21, 1985, Commerce published the final results of its changed circumstances administrative 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. 3/ On January 16, 1985, Commerce published in the Federal Register its preliminary affirmative determinations that imports of oil country tubular goods from Argentina, Brazil, Mexico, and Spain were being sold at LTFV with weighted-average margins of 104.11, 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 LTFV.

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 LTFV with a weighted-average margin of 61.7 percent for imports from Argentina and margins ranging from 70.1 to 83.5 percent for imports from Spain. On May 13, 1985, the Commission unanimously determined that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is 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. 4/ The United States and Spain have subsequently signed a VRA with respect to oil country tubular goods. 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

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1/ Commissioners Eckes and Rohr dissenting.

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

3/ 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.

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

the subject merchandise from Austria, Romania, and Venezuela. The Commission determined 1/ on April 8, 1985, that there was a reasonable indication that an 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 LTFV in the United States. 2/ On June 26, August 12, and December 23, 1985, the petitioners withdrew their petitions on, respectively, Venezuela, Romania, and Austria, following the signing of VRA's 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 Commerce of its determination that there was a reasonable indication that an industry in the United States was materially injured 3/ by reason of imports from Canada and Taiwan of oil country tubular goods, which were 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 were alleged to be sold in the United States at LTFV. 4/ 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. 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 LTFV in the United States.

On April 22, 1986, Commerce published its final determinations that manufacturers, producers, or exporters of oil country tubular goods from Canada receive subsidies, in the amount of 0.72 percent ad valorem, and that oil country tubular goods from Canada are being sold in the United States at LTFV, with margins ranging from 0 to 40.85 percent. On May 29, 1986, Commerce published its final determination that oil country tubular goods from Taiwan are being sold in the United States at LTFV, with a weighted-average margin of 26.32 percent. On May 30, 1986, Commerce notified the Commission of its final determination that oil country tubular goods from Argentina are not, and are not likely to be, sold in the United States at LTFV. The Commission terminated its investigation with regard to Argentina effective that date.

1/ Vice Chairman Liebeler dissenting.

2/ 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.

3/ 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.

4/ 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 through 277 (Preliminary) . . ., USITC Publication 1747, September 1985.

On June 2, 1986, the Commission determined 1/ that an industry in the United States was materially injured by reason of imports of oil country tubular goods from Canada which are subsidized and by reason of oil country tubular goods from Canada and Taiwan which are sold at LTFV in the United States. 2/

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. On April 28, 1986, the Commission determined 3/ that there is a reasonable indication that an industry in the United States is injured by reason of imports of the subject merchandise from Israel which are subsidized by the Government of Israel and which are sold in the United States at LTFV. 4/ These cases are the subject of the present investigations.

1/ Vice Chairman Liebeler and Commissioner Brunsdale dissenting.
2/ Oil Country Tubular Goods from Canada and Taiwan: Determinations of the Commission in Investigations Nos. 701-TA-255 (Final) and 731-TA-276 and 277 (Final) . . ., USITC Publication 1865, June 1986.
3/ Vice Chairman Liebeler dissenting.
4/ Oil Country Tubular Goods from Israel: Determinations of the Commission in Investigations Nos. 701-TA-271 (Preliminary) and 731-TA-318 (Preliminary) . . ., USITC Publication 1840, April 1986.

APPENDIX B

THE <u>FEDERAL</u> <u>REGISTER</u> NOTICES

[Investigation No. 701-TA-271 (Final)]

Oil Country Tubular Goods From Israel

AGENCY: United States International Trade Commission.

ACTION: Institution of a final countervailing duty investigation.

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigation No. 701-TA-271 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. Section 1671d(b)) to determine whether 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, 610.49, and 610.52 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be subsidized by the Government of Israel. The Commission will make its final injury determination within forty-five days after notification of Commerce's final determination (see sections 705(a) and 705(b) of the Act (19 U.S.C. Sections 1671d(a) and 1671(b))).

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: June 11, 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 202-724-002.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 701 of the act (19 U.S.C. section 1671) are being provided to manufacturers, producers, or exporters in Israel of oil country tubular goods. The investigation was requested in a petition filed on March 12, 1986, by the Lone Star Steel Company, Dallas, TX and CF&I Steel Corporation, Pueblo, CO. In response to that petition the Commission conducted a preliminary countervailing duty investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 16907, May 7, 1986).

Participation in the Investigation

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the **Federal Register**. Any entry

[1] For purposes of this investigation, "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.

of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation 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 investigation must be served on all other parties to the investigation (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.

Hearing, Staff Report, and Written Submissions

The Commission will hold a hearing in connection with this investigation at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC; the time and date of the hearing will be announced at a later date. A public version of the prehearing staff report in this investigation will be placed on the public record prior to the hearing, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21). The dates for filing prehearing and posthearing briefs and the date for filing other written submissions will also be announced at a later date.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: June 30, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-15450 Filed 7-8-86; 8:45 am]

BILLING CODE 7020-02-M

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

Oil Country Tubular Goods From Israel

AGENCY: United States International Trade Commission.

ACTION: Institution of a final antidumping investigation and scheduling of a hearing to be held in connection with the investigation and with countervailing duty investigation No. 701-TA-271 (Final).

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-318 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether 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 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 have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). The Commission also gives notice of the scheduling of a hearing in connection with this investigation and with countervailing duty investigation No. 701-TA-271 (Final), Oil Country Tubular Goods from Israel, which the Commission instituted on June 11, 1986 (51 FR 24947, July 9, 1986). The schedules for investigation No. 701-TA-271 (Final) and for the subject antidumping investigation will be identical, pursuant to Commerce's extension of the countervailing duty investigation (51 FR 25382, July 14, 1986). Commerce will make its final countervailing duty and antidumping determinations on or before November 3, 1986. The Commission will make its final injury determinations within 45 days after receipt of Commerce's final determinations (see sections 705(a) and 705(b) and sections 735(a) and 735(b) of the Act (19 U.S.C. 1671d)(a) and 1671d(b) and 19 U.S.C. 1673d(a) and 1673d(b))).

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

EFFECTIVE DATE: August 25, 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.

[1] For purposes of this investigation, "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) specification

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

The subject antidumping investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of oil country tubular goods from Israel are being sold in the United States at LTFV within the meaning of section 731 of the act (19 U.S.C. 1673). The Commission's schedule for this investigation and for investigation No. 701-TA-271 (Final) has been made in accordance with Commerce's notice of extension of its final countervailing duty determination. The investigations were requested in a petition filed on March 12, 1986, by the Lone Star Steel Company, Dallas, TX and CF&I Steel Corporation, Pueblo, CO. In response to that petition the Commission conducted preliminary investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 16907, May 7, 1986).

Participation in the investigation

Persons wishing to participate in the antidumping investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry. (Persons wishing to participate in investigation No. 701-TA-271 (Final) should have already filed an entry of appearance, pursuant to the Commission's notice of institution of this investigation in the Federal Register of July 9, 1986.)

Service list

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the subject antidumping investigation 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 investigation must be served on all other parties to the investigation (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.

Staff report

A public version of the prehearing staff report for the subject antidumping investigation and for investigation No. 701-TA-271 (Final) will be placed in the public record on October 27, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with the subject antidumping investigation and for investigation 701-TA-271 (Final) beginning at 9:30 a.m. on November 12, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on October 31, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on November 5, 1986, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 6, 1986.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules CFR 201.6(b)(2))).

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with section 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24(19 CFR 207.24) and must be submitted not later than the close of business on November 19, 1986. In addition, any person who has not entered an appearance as a party to these investigations may submit a written statement of information pertinent to the subject of the investigations on or before November 19, 1986.

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 Commission's 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 be 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: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: September 5, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-20401 Filed 9-9-86; 8:45 am]

BILLING CODE 7020-02-M

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

Oil Country Tubular Goods From Israel

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigations.

EFFECTIVE DATE: October 10, 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 may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On June 26, 1986, the Commission instituted investigation No. 701-TA-271 (Final) without establishing a schedule for its conduct (51 FR 24947, July 9, 1986). On September 2, 1986, the Commission instituted investigation No. 731-TA-318 (Final) and approved a schedule for the conduct of both the subject investigations (51 FR 32258, September 10, 1986). Subsequently, the Department of Commerce extended the date for its final determination in the investigations from November 3, 1986 to January 7, 1987. The Commission, therefore, is revising its schedule in the investigations to conform with Commerce's new schedule.

The Commission's new schedule for the investigations is as follows: the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building at 9:30 a.m. on January 8, 1987; the public version of the prehearing staff report will be placed on the public record on December 23, 1986; the deadline for filing prehearing briefs is January 8, 1987; the hearing will be held in room 331 of the U.S. International Trade Commission Building at 9:30 a.m. on January 14, 1987; and the deadline for filing all other written submissions, including posthearing briefs, is January 21, 1987.

For further information concerning these investigations see the Commission's notices of investigations cited above and the Commission's rules of practice and procedure, Part 207, Subparts A and C (19 CFR part 207), and Part 201, Subparts A through E (19 CFR part 201).

Authority

These investigations are being conducted under authority of the Tariff Act of 1930, Title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: October 10, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-23397 Filed 10-15-86; 8:45 am]

BILLING CODE 7020-02-M

International Trade Administration

[A-508-602]

Final Determination of Sale at Less Than Fair Value Oil Country Tubular Goods From Israel

AGENCY: Import Administration, International Trade Administration, Commerce

ACTION: Notice

SUMMARY: We have determined that oil country tubular goods (OCTG) from Israel are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of OCTG from Israel that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: January 14, 1987.

FOR FURTHER INFORMATION CONTACT: James Riggs or 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) 377-4929 or 377-5288

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that OCTG from Israel is being, or is likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d). We made fair value comparisons on sales of the class or kind of merchandise to the United States by Middle East Tube Company Ltd. (METCO) during the period of investigation, April 1, 1985 through March 31, 1986. Comparisons were based on United States price and foreign market value, based on a constructed value. The weighted-average margin for METCO is listed in the "Continuation of

Suspension of Liquidation" section of this notice.

Case History

On March 12, 1986, we received a petition in proper form filed by Lone Star Steel Company and C.F. & I. Steel Corp., domestic manufacturers of OCTG, on behalf of the U.S. industry that produces OCTG.

In compliance with the 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 materially injure, or threaten material injury to, a U.S. industry.

We determined that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation. The petition also alleged that critical circumstances exist. We initiated such an investigation on April 1, 1986 (51 FR 11963, April 8, 1986), and notified the ITC of our action.

On April 17, 1986, we presented an antidumping duty questionnaire to counsel for METCO, which accounts for all exports of the subject merchandise to the United States. We requested a response in 30 days.

On April 28, 1986, the ITC determined that there is a reasonable indication that imports of OCTG from Israel materially injure a U.S. industry (USITC Pub. No. 1840, April 1986).

On May 9, 1986, respondent requested and was granted an extension of the due date for the questionnaire response to June 9, 1986. On May 29, respondent requested an additional extension, until June 13, 1986, to respond to the Commerce Department's antidumping duty questionnaire. We declined this request. We received a response from METCO on June 9, 1986, with supplemental responses on June 12, June 26, June 27, June 30, July 2, August 4, and August 8, 1986.

On August 19, 1986, we made an affirmative preliminary determination (51 FR 30259, August 25, 1986).

We verified METCO's response from September 1 to September 4, 1986.

On September 11, 1986 the respondent requested a postponement of the final determination. We granted this request and postponed the due date for the final determination until no later than January 7, 1986.

As required by section 774 of the Act and § 353.44(e) of the Commerce regulations, we afforded interested parties an opportunity to submit oral and written comments, and on November 7, 1986, a hearing was held to allow parties to address the issues arising in this investigation.

Scope of Investigation

The products under 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 America Petroleum Institute (API) or non-API (such as proprietary) specifications as currently provided for in the *Tariff Schedules of the United States Annotated* items 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, 610.3953, 610.4025, 610.4035, 610.4210, 610.4220, 610.4230, 610.4240, 610.4310, 610.4320, 610.4335, 610.4942, 610.4944, 610.4954, 610.4955, 610.4956, 610.4957, 610.4966, 610.4967, 610.4968, 610.4969, 610.4970, 610.5221, 610.5222, 610.5234, 610.5240, 610.5242, 610.5243, 610.5244. This investigation includes OCTG in both finished and unfinished condition.

For purposes of its preliminary determination, the ITC ruled that drill pipe is a separate "like product" from other types of OCTG. Since the petitioners do not manufacture, produce, or wholesale drill pipe, they are not "interested parties" with respect to drill pipe, within the meaning of section 771(9)(C) of the Act. Therefore, we did not investigate sales of drill pipe in this investigation.

Fair Value Comparison

In order to determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value, based on a constructed value, as respondent did not have sales of subject merchandise to the home market or to third countries. The period of investigation covers the year prior to initiation in order to capture a sufficient number of sales to make a fair value comparison.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States as all sales by METCO were made to unrelated purchasers prior to importation into the United States.

We calculated the purchase price based on the C.&F., or C.I.F., packed price. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, and loading charges. We increased METCO's purchase price by the amount of a duty drawback received for export sales of OCTG.

Foreign Market Value

In accordance with section 773(a) of the Act, we calculated foreign market value based on constructed value since there were no sales of OCTG either in the home market or to third countries.

We used the constructed value data submitted by METCO, and made the following adjustments to reflect more appropriately METCO's cost of production for OCTG: (1) Depreciation expense was adjusted to reflect the effects of inflation; (2) a management fee paid by METCO to its parent company was not included. Instead, an amount reflecting the actual cost to the parent of providing management services to METCO was used; (3) financial expenses of METCO were not used. We instead included a proportional amount of the parent's financial expenses offset by financial income related to the general operations of the parent and the cost of financing accounts receivable; (4) since there were no third country or home market sales, U.S. selling and credit expenses were included. The circumstance of sale adjustment was, therefore, not made to the constructed value.

The constructed value included the material and fabrication expenses incurred to produce the product sold in the U.S. market. Since the general expenses were greater than the statutory minimum of 10 percent, we used actual general expenses of the company. Because actual profit was less than eight percent, the statutory minimum profit of eight percent was added.

Negative Determination of Critical Circumstances

Petitioners have alleged that critical circumstances exist with respect to imports of OCTG from Israel. For purposes of section 735(a)(3) of the Act, critical circumstances exist if we find that

(A) (i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation, or

(ii) The person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value; and

(B) There have been massive imports of the merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3)(B), we generally consider the following data in order to determine whether massive imports have taken place: (1) The volume and value of the imports; (2) seasonal trends; and (3) the share of domestic consumption accounted for by the imports. Based on our analysis of recent import statistics, we find that there is no reasonable basis to believe that imports of the subject merchandise from Israel have been massive over a realatively short period. We examined all available Census data for the first ten months of 1986 and found no surge in imports of OCTG from Israel over a relatively short period. Accordingly, we do not have to consider whether section 735(a)(3)(A) of the Act applies in this case. Therefore, we determine that critical circumstances do not exist with respect to imports of OCTG from Israel.

Currency Conversion

We made currency conversions from new Israeli shekels to U.S. dollars in accordance with § 353.56(a) of our regulations, using the end of quarter exchange ratio from the International Monetary Fund's Statistical Yearbook, as certified rates from the Federal Reserve Bank of New York were not available.

Verification

As provided in section 776(a) of the Act, we verified all information provided by the respondent, using standard verification procedures, including examination of accounting records and original source documents containing relevant information on selected sales.

Petitioners' Comments

Comment 1: Petitioners argue that payments received by METCO under the Israeli Exchange Insurance Scheme (EIS) must not be used to increase METCO's purchase price on sales to the United States.

DOC Position: We agree. Section 772(d) of the Act permits the Department to increase U.S. price for purposes of fair value comparisons only under four specific circumstances: By the amount of packing, if not included in the U.S. price; by the amount of import duties imposed and rebated upon export; by the amount of any taxes imposed on the merchandise that are rebated upon export; and by the amount of countervailing duties levied to offset an export subsidy. Because payments of this type are not enumerated within section 772(d), the EIS payments received by METCO have not been added to U.S. price in our calculatons. See our position on Petitioners' Comment 5.

Comment 2: Petitioners argue that credit calculations must be based on actual credit terms, not the nominal terms reported by METCO.

DOC Position: We agree. We calculated credit charges based on the actual shipping dates and dates of receipt of payment.

Comment 3: Petitioners argue that all shekel denominated expenses must be converted to U.S. dollars as of the date of sale, not as of the date they were incurred, before being deducted from gross U.S. price to arrive at a net U.S. price.

DOC Position: It is the Department's policy to convert currencies for charges on the date they are icurred, not on the date of sale.

Comment 4: Petitioners argue that the Department should use verified information for insurance charges related to METCO's U.S. Sales instead of the amounts initially submitted by METCO.

DOC Position: It is the Department's policy to use only verified information for its final determinations. METCO's insurance charges are adjusted upward to reflect the verified amounts.

Comment 5. Petitioners argue that payments made to METCO under the Israeli Exchange Insurance Scheme may be added to U.S. price only if they are countervailed as an export subsidy.

DOC Position: In the Department's instructions to the U.S. Customs Service after a final affirmative determination, we provide dumping margins reduced by any countervailing duties levied on export subsidies pursuant to section 772(d)(1)(D) of the Act. As EIS payments have been found to be an export subsidy in the final determination in the countervailing duty investigation of OCTG from Israel, the amount of a cash deposit or bond required by U.S. Customs will be net of countervailing duties attributed to these EIS payments and any other export subsidies received by METCO on its sales of OCTG to the United States. See also the section of this notice entitled "Continuation of Suspension of Liquidation."

Comment 6: Petitioners contend that the Department's calculation of constructed value should be based on the weighted-average costs for all METCO's facilities, including the facilities of its subsidiaries capable of producing OCTG.

DOC Position: We agree. The constructed value used by the Department is based on fully absorbed weighted-average costs for all facilities capable of producing OCTG.

Comment 7: Petitioners argue that, in calculating constructed value in a hyperinflationary economy such as Israel's the Department should use the material costs prevailing in the months in which OCTG sales were made.

DOC Position: In this case there was no need to match these costs to the dates of sale. When purchasing coil, the raw material, METCO pays in dollars, which are not subject to the effects of hyperinflation. The Department thus used dollar values for the material cost of coil in its computation of the cost of production.

Comment 8: Petitioners argue that the Department should not reduce METCO's material costs to reflect the extended credit terms received by METCO on coil purchases. Any reductions in METCO's costs resulting from extended credit terms are properly accounted for in the Department's calculation of METCO's finance charges.

DOC Position: We agree. The Department used the actual costs for METCO's material purchases. We did not reduce coil costs to adjust for extended credit terms granted by METCO's suppliers because credit terms are an element of financing, not raw material costs. We have taken the effects of credit terms into account in calculating the net financing expenses.

Comment 9: Petitioners state that the Department should ensure that general and administrative expenses are fully absorbed by direct cost centers, either directly or by transfer through indirect cost centers.

DOC Position: METCO does not allocate its general and administrative costs to direct or indirect cost centers. We have allocated general expenses as described in DOC Position on Petitioners' Comment 12.

Comment 10: Petitioners state that METCO's direct labor and overhead costs should incude the costs for overtime shifts and idle shifts.

DOC Position: The direct labor and overhead costs used in the final determination are based on total costs, including costs for overtime and idle shifts.

Comment 11: Petitioners argue that any credit for sales of scrap must reflect actual revenue received, rather than imputed or potential revenue. The scrap sales revenue must also be net of any costs incurred by METCO related to recovering, cleaning, conditioning and selling the scrap.

DOC Position: Revenue from OCTG scrap sales is not recorded separately, but is included in scrap sales from all pipe products. To determine scrap credit attributable to OCTG, we multiplied the average sales value of pipe scrap by the actual yield loss from the manufacturing of OCTG. METCO performs no cleaning or conditioning of scrap, and costs related to recovery and sale of scrap are contained in fabrication costs.

Comment 12: Petitioners contend that in a hyperinflationary economy such as Israel's, aggregate nominal general expenses are meaningless. The Department must adjust all monthly general expense totals for inflation to arrive at total month-of-sale costs.

DOC Position: The methodology suggested by petitioners would require the Department to adjust general expenses and all other costs for inflation as of the time of sale, to allow the allocation of general expenses over cost of goods sold. The Israeli accounting system is structured to account for inflation by other means.

The Department calculated general expenses in each month by multiplying the cost of goods sold in that month by the ratio of general expenses to cost of goods sold on an annual basis. To the extent that both general expenses and cost of goods sold do not fluctuate relative to each other from month to month, the resulting ratio provides an accurate measurement of the relationship between the two types of costs.

Comment 13: Petitioners contend that METCO's cost of production questionnaire response incorrectly reported transactions with related parties as they appeared in METCO's books. Transactions between METCO and related parties must be recorded at prices which represent the fully absorbed costs of the related parties. Specifically, petitioners contend that a management fee paid by METCO to its parent company does not accurately reflect actual costs incurred.

DOC Position: The Department used actual costs to the parent company incurred in providing the management services to METCO.

Comment 14: Petitioners argue that depreciation expenses must be based on asset values adjusted for inflation, rather than on the nominal values reported by METCO.

DOC Position: We agree. The cost of manufacturing was adjusted to include the increased depreciation expense. The depreciation expense was adjusted from information in METCO's financial statements which presented the effects of inflation on depreciation.

Respondent's Comments

Comment 1: Respondent argues that payments made to METCO under the Export Insurance Scheme should be added to U.S. purchase price in fair value comparisons. These payments are received as a result of sales of OCTG in the United States and increase METCO's revenues on such sales.

DOC Position: We disagree. See DOC Position on Petitioners' Comments 1 and 5.

Comment 2: Respondent contends that, in its calculation of U.S. price, the Department must make an addition for duties on imported materials which are rebated upon the export of OCTG.

DOC Position: We agree. The Department has taken these duties into account in accordance with section 772(d) of the Act.

Comment 3: Respondent argues that linkage expenses, that part of the interest expense attributed to inflation, should not be included in the computation of constructed value. In *Oil Country Tubular Goods from Argentina: Final Determination of Sales at Less Than Fair Value*, 50 FR 12595 (1985), the Department recognized that linkage entries of this type are merely accounting devices used in hyperinflationary economies and should not be taken into account in determining production costs.

DOC Position: In our calculation of METCO's financial expenses, we used a portion of the financial expenses of the parent company, offset by financial revenues related to operations. Since linkage could not be identified with interest revenues or with some interest expenses, and since the total interest revenues did not differ materially from total interest expenses, the Department concluded that the residual effects of linkage would be insignificant. Consequently, we did not allow for linkage in calculating constructed value.

Comment 4: Respondent contends that the Department correctly used dollar values in its computation of METCO's cost of purchased raw materials. This methodology is designed to take account of the effects of inflation and depreciation on the value of purchases made in shekels. The Department should not convert these figures into shekels and then reconvert them into dollars, as petitioners request, because such recalculations could create distortions in these values.

DOC Position: We agree. The Department's calculation of constructed value included raw material costs as incurred in dollars.

Comment 5: Respondent argues that, in the computation of METCO's selling, general and administrative expenses, the Department should not include transfers of funds from METCO to Koor, the parent company, in excess of a reasonably allocated portion of Koor's general expenses. Where Koor performed managerial services for METCO, the value of those services would properly be included in a calculation of METCO's general costs. The excess of this management fee was simply a transfer of funds between subsidiary and parent, and it should not be included in the calculation of METCO's managerial costs. In effect, the fee represents a transfer of profit from subsidiary to parent, and clearly does not belong in SG&A.

DOC Position: We agree. In our calculation of SG&A expenses, the Department did not use the management fee paid by METCO to its parent because intracompany transactions cannot be assumed to be at "arm's length." Instead, we used a portion of the general expenses that had been allocated to METCO's line of business on Koor's financial statements.

Comment 6: Respondent argues that Solcoor's selling, general, and administrative expenses should not be included in METCO's SG&A expenses because Solcoor was not a party to any of METCO's sales transactions.

DOC Position: We agree. Solcoor's expenses were not considered in the calculation of METCO's SG&A expenses.

Comment 7: Respondent contends that, in its calculation of raw material costs, the Department should consider the favorable credit terms obtained by METCO. In effect, extended credit terms reduce the cost of raw material to METCO.

DOC Position: We disagree. See DOC Position on Petitioners' Comment 8.

Continuation of Suspension of Liquidation

In accordance with section 735(c) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of OCTG from Israel that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond on all such entries equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/seller/exporter	Weighted average margin (percentage)
METCO	11.96
All others	11.96

Article VI./5 of the General Agreement on Tariffs and Trade provides that "(n)o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act. Since dumping duties cannot be assessed on the portion of the margin attributable to export subsidies, there is no reason to require a cash deposit or bond for the amount. Accordingly, the level of export subsidies (as determined in the final affirmative countervailing duty determination on OCTG from Israel) will be subtracted from the dumping margin for deposit or bonding purposes.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms in writing 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. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on OCTG from Israel entered, or withdrawn from warehouse, for consumption, on or after the suspension of liquidation equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

January 7, 1987.

[FR Doc. 87-827 Filed 1-13-87; 8:45 am]

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[C-508-601]

Final Affirmative Countervailing Duty Determination; Oil Country Tubular Goods From Israel

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Israel of oil country tubular goods (OCTG). The estimated net subsidy is 11.86 percent *ad valorem*. We also determine that critical circumstances do not exist.

We have notified the U.S. International Trade Commission (ITC) of our determination. Therefore, if the ITC determines that imports of OCTG materially injure, or threaten material injury to, a U.S. industry, we will direct the U.S. Customs Service to resume the suspension of liquidation of OCTG from Israel and to require a cash deposit on entries or withdrawals from warehouse for consumption in an amount equal to the estimated net subsidy.

EFFECTIVE DATE: January 15, 1987.

FOR FURTHER INFORMATION CONTACT: Loc Nguyen, Jessica Wasserman or 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) 377-0167, 377-1442 or 377-0161.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we determine that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Israel of OCTG. For purposes of this investigation, the following programs are found to confer subsidies:

A. The Encouragement of Capital Investments Law
  1. Investment Grants
  2. Long-Term Industrial Development Loans

B. Bank of Israel Export Loans
  1. Export Production Fund
  2. Export Shipments Fund
  3. Imports-for-Exports Fund

C. Exchange Rate Rish Insurance Scheme

We determine the estimated net subsidy to be 11.86 percent *ad valorem* for all manufacturers, producers, or exporters in Israel of OCTG.

Case History

On March 12, 1986, we received a petition in proper form from Lone Star Steel Company and CF&I Steel Corporation, on behalf of the U.S. industry producing OCTG. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleged that manufacturers, producers, or exporters in Israel of OCTG, directly or indirectly, receive subsidies within the meaning of section 701 of the Act, and that these imports materially injure, or threaten material injury to, a U.S. industry.

We found that the petition contained sufficient grounds upon which to initiate a countervailing duty investigation, and on April 1, 1986, we initiated such an investigation (51 FR 11965, April 8, 1986).

Since Israel is entitled to an injury determination under 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. On May 7, 1986, the ITC determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Israel of OCTG. A-56

We presented questionnaires concerning the petitioners' allegations to the government of Israel and Middle East Tube Co., Ltd. ("METCO"), the only manufacturer, producer, or exporter in Israel of OCTG, in Washington, DC, on April 11, 1986. Response to our questionnaires were received on May 16 and 21, 1986. Additional information was received over the course of the investigation. We issued our preliminary affirmative countervailing duty determination on June 5, 1986 (51 FR 21201, June 11, 1986).

From June 20 through July 4, 1986, we verified the information submitted in response to our questionnaires. At the request of respondents, we held a hearing on October 14, 1986. We received pre-hearing briefs on September 10, 1986, and post-hearing briefs on October 28, 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) 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, 610.4225, 610.4230, 610.4235, 610.4240, 610.4310 610.4320, 610.4325, 610.4335, 610.4942, 610.4944, 610.5243, 610.4954, 610.4955, 610.4956, 610.4957, 610.4966, 610.4967, 610.4968, 610.4969, 610.4970, 610.5221, 610.5222, 610.5244, 610.5234, 610.5240, 610.5242

The scope of this investigation includes OCTG in both finished and unfinished condition.

For purposes of its preliminary determination, the ITC ruled that drill pipe is a separate "like product" from other types of OCTG. Since the petitioners neither manufacture, produce, or wholesale drill pipe, they are not "interested parties" with respect to drill pipe, within the meaning of section 771(9)(C) of the Act. Therefore, we did not investigate sales of drill pipe in this investigation.

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of the current investigation. These general principles are described in the "Subsidies Appendix" attached to the notice of *Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Contervailing Duty Order* (49 FR 18006, April 26, 1984).

For purposes of this final determination, the period for which we are measuring subsidies ("the review period") is calendar year 1985. Based upon our analysis of the petition, the responses to our questionnaries submitted by the government of Israel and METCO, our verification, and comments submitted by petitioners and respondents, we determine the following:

I. Programs Determined to Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Israel of OCTG under the following programs:

A. The Encouragement of Capital Investments Law (ECIL)

The purpose of the ECIL is to attract capital to Israel. In order to be eligible to receive various benefits under the ECIL, including investment grants, long-term industrial development laons, accelerated depreciation, and reduced tax rates, the applicant must obtain approved enterprise status. Approved enterprise status is obtained after review of information submitted to the Israel Ministry of Industry and Trade, Investment Center Division. The amount of the benefits received by approved enterprises depends on the geographic location of the eligible enterprise. For purposes of the ECIL, Israel is divided into three development zones, each with a different funding level.

1. *Investment Grants.* In order to receive a grant under the ECIL, an applicant must obtain "approved enterprise" status and obtain an economic viability evaluation of the proposed investment from the Industrial Development Bank of Israel. METCO received approvals for grants in 1971, 1974, 1975 and 1976. According to the approval documents, these grants were contingent upon increased exports. Therefore, we determine that the grants given to METCO are export subsidies.

In its questionnaire response, METCO claimed that these grants did not benefit the production of OCTG. However, according to the approval documents, all of the pipe for which grants were approved, except galvanized pipe, is suitable for use as OCTG. Although one grant was intended for the production of both black and galvanized pipe, we could not segregate the benefit provided to black pipe from the benefit provided to galvanized pipe. Therefore, we find all of the grants to be countervailable subsidies benefitting METCO's total exports.

To calculate the benefit, we allocated the grants received over 15 years (the average useful life of assets in the steel industry). Usually, to allocate benefits over time we use as our discount rate the firm's weighted cost of capital, which is an average of the company's marginal costs of debt and equity for the year in which the terms of the grant were approved. However, in this case, we are unable to calculate a weighted cost of capital for METCO, because there is no fixed-rate long-term borrowing in Israel. We have, therefore, used a variable discount rate to allocate the grant benefits since this most accurately reflects the benefits to METCO over time.

To calculate the grant allocation amount for 1985, we applied the grant methodology outlined in the Subsidies Appendix, using as our variable discount rate the national average short-term borrowing rate for new Israeli shekels (NIS) in 1985 as published in the Bank of Israel annual report adjusted for inflation. Dividing by the value of total exports during the review period, we calculated an estimated net subsidy of 0.002 percent *ad valorem*.

2. *Long-Term Industrial Development Loans.* Prior to July 1985, approved enterprises were eligible to receive long-term industrial development loans funded by the government of Israel. At verification, we learned that METCO received long-term industrial development loans between 1966 and July 1985. Industrial development loans were disbursed through the Industrial Development Bank of Israel (IDBI) and other industrial development banks associated with each commercial bank in Israel.

The government of Israel did not provide us with sufficient information concerning selection criteria for approved enterprises under ECIL or the criteria for receiving industrial development loans under ECIL. Nor did it provide us with information on the distribution of loans under this program. Because we have no information in the approval process or actual distribution of these loans, we have determined that the loans are limited to a specific enterprise or industry or group of enterprises or industries.

Loans under this program are linked to the consumer price index (CPI) or to the U.S. dollar. Therefore, we are treating them as variable rate loans, and have used as our benchmark a short-term interest rate in the review period. For loans on which interest is linked to the CPI, we used a NIS benchmark and for loans on which interest is linked to the dollar exchange rate, we used a dollar-linked NIS benchmark. We compared the benchmarks to the interest rate charged on each loan and determined that some of the loans were provided on terms inconsistent with commercial considerations. Therefore, we determine those loans to be countervailable. To calculate the benefit from these loans, we applied our short-term loan methodology. Dividing the amount of interest savings in 1985 by the value of total sales during the review period, we calculated an estimated net subsidy of 5.019 percent *ad valorem*.

B. Bank of Israel Export Loans

The government of Israel provides preferential financing to manufacturers, producers, or exporters in Israel of OCTG through three export credit funds adminstered by the Bank of Israel (BOI).

1. *Export Production Fund (EPF).* Under the EPF, three-month loans are provided to exporters to finance export production. The amount which a company is able to borrow under this program is limited by a quota set by the BOI. The quota is based on the value of the company's exports, the product's value-added percentage, and the production cycle of the company. During the review period, EPF financing was provided both in dollar-linked NIS loans and in NIS loans. In July 1985, the BOI discontinued EPF financing in NIS.

Because only exporters are eligible for these loans, we determine that they are countervailable to the extent that they are provided at preferential rates. METCO received both NIS loans and dollar-linked loans under this program. For NIS loans we used as our benchmark a nominal rate based on the national average non-directed short-term NIS lending rate published in the 1985 BOI annual report. For loans, we used as our benchmark a nominal rate based on the national average non-directed short-term dollar-linked NIS lending rate as provided in the 1985 BOI annual report. Comparing these benchmarks to the interest rates charged on these loans, we determine that the loans were provided at a preferential rate, and are, therefore, countervailable.

To calculate the benefit from these loans, we allocated the interest savings over total exports during the review period, because METCO did not segregate loans provided on OCTG exports from loans for other products. On this basis, we calculated an estimated net subsidy of 2.777 percent *ad valorem*.

2. *Export Shipment Fund (ESF).* Under the ESF, loans are provided to exporters to enable them to extend credit in foreign currency to their overseas customers. Financing is granted on a shipment-by-shipment basis. Funding is provided after shipment of the goods and must be repaid within six months. Because only exporters are eligible for these loans, we determined that they are countervailable to the extent that they are provided at preferential rates. METCO received dollar loans under the ESF. Dollar loans are not otherwise available in Israel, and we were not able to obtain benchmark interest rates for these loans from independent sources. We have relied on our earlier determination on *Potassium Chloride from Israel: Final Affirmative Countervailing Duty Determination* (Potash) (49 FR 36122, September 14, 1984), in deriving our benchmark. We have determined this rate to be the London Interbank Offering Rate (LIBOR) plus two percent.

Comparing the benchmark interest rate to the rates charged on these loans, we determine that some of the loans were provided at perferential rates and are countervailable. To calculate the benefit from these loans, we allocated the interest savings over total exports during the review period because METCO did not segregate loans provided on OCTG exports from loans for other product. On this basis, we calculated an estimated net subsidy of 0.002 percent *ad valorem*.

3. *Imports-for-Exports Fund (IEF).* Under the IEF, exporters receive loans with a three-month term in order to finance imported materials used for export production. Because only exporters are eligible for these loans, we determine that they are countervailable to the extent that they are provided at preferential rates. Since loans under the IEF are dollar-linked NIS loans, we used as our benchmark a nominal rate based on the national average non-directed short-term dollar-linked NIS lending rate as provided in the 1985 BOI annual report. Comparing the benchmark interest rate to the rates charged on these loans, we determine that the loans were provided at preferential rates and are countervailable.

To calculate the benefit from these loans, we allocated the interest savings over total exports during the review period because METCO did not segregate loans provided on OCTG exports from loans for other products. On this basis, we calculated an estimated net subsidy of 1.163 percent *ad valorem*.

C. Exchange Rate Risk Insurance Scheme

The Exchange Rate Risk Insurance Scheme (EIS), operated by the Israel Foreign Trade Risk Insurance Corporation Ltd. (IFTRIC), is aimed at insuring exporters against losses resulting from decreased payments in foreign currency receivables due to lags in the rate of devaluation of the NIS. The EIS insures the exporter's revenue (in domestic currency) against unexpected fluctuations between exchange rates and domestic inflation. The scheme is intended to protect exporters when the rate of inflation exceeds the rate of devaluation and the NIS value of an exporter's foreign currency receivables does not rise enough to cover increases in local costs.

The EIS scheme is optional and open to any exporter willing to pay a premium to IFTRIC. Compensation is based on a comparison of the change in the rate of devaluation of the NIS against a basket of foreign currencies with the change in the consumer price index. If the rate of inflation is greater than the rate of devaluation, the exporter is compensated by an amount equal to the difference between these two rates multiplied by the value-added of the exports. If the rate of devaluation is higher than the change in the domestic price index, however, the exporter must compensate IFTRIC. The premium is paid on the basis of the value-added of the exports, and this rate is the same for all industries.

In determining whether an export insurance program provides a countervailable benefit, we examine whether the premiums and other charges are adequate to cover the program's long-term operating costs and losses. In *Potash*, we stated that we had insufficient data at that time to determine that the premiums and other charges were mainifestly inadequate to cover the program's long-term operating costs and losses. We noted, however, that we were not making a conclusive determination on the program's countervailability at that time.

In this case, the data show that EIS operated at a loss from 1981 through 1985. We believe that five years is, in this case, a sufficiently long period to establish that the premiums and other charges are manifestly inadequate to cover the long-term operating costs and losses of the program. We, therefore, determine that this program confers a countervailable benefit on manufacturers, producers, or exporters in Israel of OCTG.

We calculated the benefit to METCO from this program by subtracting from the amount of compensation METCO received from IFTRIC during the review period the premiums paid and compensatory payments made in that year. We allocated this amount over METCO's total exports during the review period to find an estimated net subsidy of 2.895 percent *ad valorem*.

II. Programs Determined Not to be Used

We determine that the following programs have not been used by manufacturers, producers, or exporters in Israel of OCTG during the review period.

A. Encouragement of Industrial Research and Development Law (EIRD)

Petitioners allege that manufacturers, producers, or exporters in Israel of OCTG may benefit from research and development grants equal to 50 percent of approved project costs where such activity is directed at export expansion. We verfied that METCO was not eligible for nor did it apply for or receive grants under the EIRD.

B. Labor Training Grants

Petitioners allege that manufacturers, producers, or exporters in Israel of OCTG may receive benefits in the form of labor training funded by the Ministry of Labor. We verified that METCO did not apply for or receive benefits under this program.

C. BOI Special Export Financing Loans

Petitioners allege that manufacturers, producers, or exporters in Israel of OCTG may receive benefits from special export financing loans administered by the BOI. We verified that METCO did not apply for or receive benefits under this program.

D. ECIL Preferential Accelerated Depreciation

Under section 42 of the ECIL, a company which has obtained approved enterprise status can choose to depreciate machinery and equipment at double the normal rate and buildings at four times the normal rate. At verification, we learned that METCO did not apply for or receive benefits under Section 42 of the ECIL in the year covered by the tax return filed during the review period.

E. Other ECIL Tax Benefits

Under section 47 of the ECIL, a company which has obtained approved enterprise status is eligible for a reduced corporate and income tax rate. At verification, we learned that METCO did not apply for or receive benefits under section 47 of the ECIL in the year covered by the tax return filed during the review period.

Under section 46 of the ECIL, dividends and interest paid to foreign investors are taxed at a maximum rate of twenty-five percent. Since METCO is not a foreign investor, this provision of the ECIL is not applicable to METCO.

F. ECIL Loans

Petitioners allege that manufacturers, producers or exporters in Israel of OCTG may receive loans on preferential terms under section 24 of the ECIL for the enlargement of facilities. At verification, we learned that loans under section 24 are only granted to foreign investors in Israeli companies. We verified that METCO received no loans under this program.

G. Drawback Grants

Section 40E of the ECIL provides that the owner of an approved enterprise is entitled to a drawback grant with respect to taxes on investment and investment expenditures. We verified that METCO did not receive any grants under this section. We also verified that the program was terminated on April 1, 1986.

H. ECIL Interest Subsidy Payments

Petitioners allege that manufacturers, producers or exporters in Israel of OCTG may receive grants provided by the government of Israel for the rebate of interest on loans provided by commercial banks. The amount of the grants varies according to the development zone in which the enterprise is located. We verified that METCO did not use this program and that the program was terminated in April 1985.

I. The Encouragement of Industry Law (EIL)

Petitioners allege that manufacturers, producers or exporters in Israel of OCTG may receive benefits under the EIL. Benefits are available to every company located in Israel which derives at least 90 percent of its gross income in a particular year from industrial or manufacturing activities. Almost every company in Israel is eligible for EIL benefits; there is no application process. A company in Israel wanting to claim EIL benefits files the claim on its income tax form and the Income Tax and Property Department of the Ministry of Finance checks the claim. We verified that METCO did not apply for or receive benefits in the year covered by the tax return filed during the review period.

III. Program Determined Not to be Confer a Subsidy

We determined that subsidies are not provided to manufacturers, producers or exporters in Israel of OCTG under the following programs:

A. Rebate of Shlom-Hagalil Special Levy

Under this program, a duty is paid on all imported raw materials and imported goods incorporated into an exported product at a rate of two percent. The amount of the rebate provided to each company is based on the percentage of the imported input in the total value of the company's exports. This percentage is determined by the Ministry of Finance for each exporter in Israel on an annual basis. This program provides a nonexcessive rebate of duties paid on imported inputs physically incorporated into the exported product. Hence, we determine that this program is not countervailable.

IV. Programs Determined To Be Terminated

We determine that the following programs have been terminated:

A. Property Tax Exemptions on Buildings and Equipment

Petitioners allege that manufacturers, producers, or exporters in Israel of OCTG may benefit from tax benefits that allow eligible enterprises a five-year exemption from payment of two-thirds of property taxes on buildings and a ten-year exemption for payment of one-sixth of property taxes on equipment. At verification, we learned that the exemptions have been repealed by Amendment No. 17, ECIL, 5738–1979. Also, property taxes on industrial buildings and equipment were repealed for all taxpayers in Israel on April 1, 1981. Property tax exemptions referred to in section 53 of the ECIL are taxes on apartment buildings in residential areas.

B. Partial Non-Payment of Employers' Tax

Under section 55 of the ECIL, employers in approved industrial enterprises located in development zone A or B may be exempt from either one-half or all of the employers' tax. At verification, we learned that the employers' tax has not been levied on productive sectors of the Israel economy since April 1, 1980.

Negative Determination of Critical Circumstances

The petitioners allege that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act, with respect to imports of OCTG from Israel. In determining whether critical circumstances exist, we must examine whether there is a reasonable basis to believe or suspect that: (1) The alleged subsidy is inconsistent with the Agreement, and (2) there have been massive imports of the subject merchandise over a relatively short period.

In determining whether imports have been massive over a relatively short period of time, we have considered the following factors: (1) The volume and value of the imports; (2) seasonal trends; and (3) the share of domestic consumption accounted for by the imports. A review of this information indicates that imports from Israel have not been massive over a relatively short period of time.

Since we have not found massive imports over a relatively short period of time, we do not need to consider whether the alleged subsidies are inconsistent with the Agreement.

Petitioners' Comments

Comment 1: Petitioners argue that the amount of the benefit to METCO from the EIS program is equal to the difference between the amount of premiums which METCO should have paid and the amount which METCO actually paid during the review period. Petitioners contend that the amount METCO should have paid can be determined by estimating the cost of the EIS program to the government, including administrative expenses and compensatory payments and calculating the premiums necessary to generate sufficient revenue to cover the cost of the program and provide a four percent rate of return.

DOC Position: We do not have sufficiently detailed information to measure the costs, other than compensation costs, paid under EIS. Therefore, we have calculated the excess that the company receives in compensation over the premiums paid and compensatory payments made and allocated the benefit to the year of receipt.

Comment 2: Petitioners argue that if the Department calculates the benefit from the EIS program as the difference between METCO's compensatory payments and its premiums in 1985, then the Department should calculate the *ad valorem* benefit by dividing the amount of benefit attributable to OCTG exports by the value of METCO's OCTG exports.

DOC Position: Respondents were not able to segregate payments attributable to OCTG exports from payments attributable to the export of other products produced by METCO. We, therefore, calculated the *ad valorem* benefit by dividing the total net payments received by METCO in 1985 by its total 1985 exports.

Comment 3: Petitioners argue that the appropriate benchmark for BOI short-term export financing denominated in dollars is the Eurodollar rate which would be available to firms with the same financial standing as METCO. Petitioners contend that there is no evidence to indicate that METCO could have obtained such loans, absent government intervention at the LIBOR plus two percent rate used by the Department as a benchmark in its preliminary determination. For short-term financing denominated in NIS, petitioners argue that the appropriate benchmark is the rate on NIS overdraft accounts.

DOC Position: In calculating the benefit from Export Cedit Fund loans, we used our short-term loan methodology, as set out in the Subsidies Appendix. For short-term loan benchmarks, the Subsidies Appendix provides that we will use the most appropriate national average commercial method of short-term financing, rather than company-specific experience. For dollar-denominated loans we used as our benchmark the rate available to Israeli companies for dollar borrowing outside of Israel, LIBOR plus two percent, for the reason stated in section I.B.2. For NIS-denominated loans, we used as our benchmark the national-average real interest rate for non-directed short-term NIS loans, as published in the 1985 BOI annual report. We converted this real rate into a nominal rate by using the inflation index. We believe that this rate is a more comparable method of short-term NIS financing than the rate on NIS overdraft accounts. For dollar-linked NIS loans, we used as our benchmark the national-average real rate for non-directed short-term dollar-linked loans and coverted this real rate into a nominal rate by using the inflation index and adjusting for devaluation. We believe that this is the most comparable rate of short-term dollar-linked loans in Israel.

Comment 4: Petitioners argue that preferential loans received in 1984 and repaid in 1985, as well as loans received in 1985 and repaid in 1986, must be included in the Department's calculation of a benefit, as long as interest on the loan was paid during the review period.

DOC Position: We agree. In accordance with the Subsidies Appendix, when valuing the subsidy from preferential short-term loans, we based our calculations on the interest actually paid during the review period.

Comment 5: Petitioners argue that the Department should not adjust the bonding rate for Export Production Fund loans. Petitioners argue that the amount of the quota established for each firm borrowing from the fund was not altered; only the currency in which loans were made was changed. Therefore, petitioners argue, the Department's critieria for program-wide changes have not been met.

DOC Position: In general, when there is a program-wide change prior to our preliminary determination, it is the Department's policy to adjust the cash deposit rate to reflect this change. In this case, however, we do not have sufficient information to determine the effect of the change in the denomination of loans on the amounts of benefits provided under this program. Therefore, we have calculated a cash deposit rate based on the benefits provided under this program during the review period.

Comment 6: Petitioners argue that there is information in the record which indicates that the Israel Development Bank administers a fund for loans at reduced interest rates to firms adapting their production lines to export markets. Because there is no information on the record which demonstrates that eligibility for ECIL development loans is not based on increased production for export, petitioners contend that the Department must, as best information available, conclude that the ECIL development loans constitute export subsidies.

DOC Position: We disagree. There is no verified information in the record indicating that the loans received by METCO were based on increased exports. We have, however, found these loans to be countervailable domestic subsidies, because they are limited to a specific enterprise or group of enterprises and are provided at terms inconsistent with commercial considerations.

Comment 7: Petitioners argue that feasibility studies performed by the Industrial Development Bank before approval of all long-term loans are provided free of charge and, therefore, constitute subsidies. They contend that companies frequently conduct feasibility studies before making significant investments and that banks frequently require companies to perform feasibility studies before granting long-term loans. They claim that the value of this subsidy is the cost of obtaining an equivalent study from a private consulting firm.

DOC Position: At verification, we found no evidence that the government of Israel pays for the feasibility studies required under this program. Moreover, respondent has submitted evidence showing that the cost of the studies is borne by the company and not by the government. Therefore, we disagree with the contention that METCO received a subsidy in the form of a feasibility study at no charge.

Comment 8: Petitioners argue that long-term development loans are countervailable, despite the fact that it is irrelevant that private banks disburse the financing. They note that Israeli government sets the loan terms and determines which companies and projects are eligible to receive loans and, moreover, that the government is the source of the loan funds.

DOC Position: We agree. In this case, the Israeli government is the source of financing and determines the eligibility criteria for receiving these loans. Because these loans are provided on terms inconsistent with commercial considerations to a specific enterprise or industry or group of enterprises or industries, we have determined them to be countervailable. The fact that the loans are administered through private banks does not alter our determination.

Respondents' Comments

Comment 1: Respondents argue that the EIS operated by IFTRIC is not a countervailable subsidy because the program is structured in accordance with commercial considerations. Respondents argue that EIS is designed to be self-balancing. If the rate of domestic inflation is higher than the rate of devaluation of the NIS against a basket of currencies, IFTRIC compensates the exporter. If devaluation is higher than inflation, however, the exporter is required to compensate IFTRIC.

DOC Position: We disagree. The government of Israel owns all of the shares of IFTRIC and acts as a re-insurer to cover IFTRIC's losses up to 150 million U.S. dollars. In general, to determine whether government-controlled export insurance programs confer countervailable benefits, the Department examines whether the insurance premiums and other payments charged are adequate to cover the program's long-term operating costs and losses. This methodology is consistent with paragraph (j) of the Annex to the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement On Tariffs and Trade (the Subsidies Code), under which an export subsidy is defined to include:

> the provision by governments (or special institutions controlled by governments) . . . of insurance or guarantee programs against increases in the costs of exported products or of exchange risk programmes, at premium rates, which are manifestly inadequate to cover the long-term operating costs and losses of the programmes.

EIS operated at a loss in each of the years 1981 through 1985. Despite continuing losses, which have amounted to millions of U.S. dollars each year, EIS has not raised the premium rates charged or increased other charges to its customers. We, therefore, conclude that the premiums and other charges levied by EIS are manifestly inadequate to cover its long-term operating costs and losses.

Comment 2: Respondents further argue that the commercial viability of the EIS program cannot fairly be judged on the basis of the clearly aberrational inflation rate Israel has experienced during the period under investigation.

DOC Position: We disagree. EIS has operated at a loss for five consecutive years, including the year in which the program was established. It is, therefore, difficult to argue that EIS losses were due only to the extremely high inflation rate during the period of investigation. Moreover, inflation rates in Israel were high prior to the establishment of the EIS program. The losses incurred since 1981, therefore, could not have been due to unexpectedly high inflation rates. We believe that five years of massive and continued losses cannot be overlooked on the grounds that they are the result of an aberration.

Comment 3: As further evidence that EIS is operated along commercial lines, respondents argue that participation in the program is optional.

DOC Position: In order to be found a subsidy, a program need not be mandatory. Furthermore, although EIS is free to choose not to insure an applicant, METCO is participating and receiving benefits.

Comment 4: Respondents argue that evidence EIS is operated along commercial lines can be found in the fact that participants in the program were required to make payments to IFTRIC in July 1985.

DOC Position: We disagree. Although the exporters did make a compensatory payment to IFTRIC in one month, during the remaining 59 months, EIS paid those who were insured. In this case, the theoretical operation of the program is not dispositive. The fact that EIS did not collect sufficient premiums to cover its costs and losses during this period leads us to conclude that EIS confers a subsidy.

Comment 5: Respondents argue that the EIS program is designed to ensure that exporters receive a fixed payment in real terms. In this respect, it is similar to a forward exchagne system. Respondents argue that, since the EIS program does not provide an exporter with a higher payment in real terms than the amount for which it initially contracted, the program does not provide a subsidy.

DOC Position: We disagree. We believe that the EIS program does provide a benefit. Exporters who do not participate in the EIS program must absorb the losses that result when the rate of inflation in Israel exceeds the rate of devaluation of the NIS. Forward exchange systems, unlike the EIS program, do not ensure against losses. Instead, they offer the seller the option of knowing with certainty what his domstic currency return will be on foreign sales.

Comment 6: Respondents argue that two grants which were made to METCO's Ramla plant were provided for a line which was not producing OCTG at the time the grants were received. This line was not used for the production of OCTG until 1980, many years after the grants were received. Therefore, respondents argue, the grants do not confer a countervailable benefit on the production of OCTG.

DOC Position: We disagree. While the grant may have been intended originally to benefit the production of other products, the benefits are clearly no longer tied to those other products. Therefore, we have allocated the benefits over all products, including OCTG.

Comment 7: Respondents argue that, contrary to petitioners' assertion, the circumstances of this case and those of *British Steel Corp.* v. *United States*, 6 ITRD 1929 (Court of International Trade, March 8, 1985) are distinguishable. In *British Steel*, government funds used to close inefficient parts of a production facility were countervailable subsidies because the funds enhanced the efficiency of the production of the goods under investigation. In the present case, the ECIL investment grants did not enhance the efficiency of the production of OCTG. The grants, therefore, did not confer a countervailable benefit on OCTG production.

DOC Position: We disagree. In *British Steel*, an equity purchase by the government was found to benefit the product under investigation because the equity infusion was used to enhance the overall efficiency of the company. In this case, the grants at issue were "tied" to (*i.e.*, bestowed expressly to purcahse) specific capital assets. We determined that these assets were suitable for the production of OCTG and, at verification, respondents were unable to demonstrate conclusively otherwise. We, therefore, concluded that the grants conferred a benefit on the production of OCTG.

Comment 8: Respondents argue that short-term export financing has been provided by commercial banks since July 1985, and that since this time, no Israeli government money has been distributed through any of the short-term financing programs under investigation.

DOC Position: According to the government's questionnaire response, as of July 1985, all export financing provided by the BOI was at an interest rate not to exceed LIBOR plus two percent. The government of Israel sets loan quotas for each exporter, as well as maximum interest rates. Financing required by government action, even if the government is not the source of funds, can provide a subsidy. The Department has rejected the view that a subsidy must involve a charge to the public account and has imposed countervailing duties where the benefit was conferred by one firm on another at the direction of the government (*e.g.*, banks required to give preferential financing to exporters). *See, e.g., Final Affirmative Countervailing Duty Determination: Certain Carbon Steel Products from Spain* (47 FR 51938, November 15, 1982): *Final Affirmative Countervailing Duty Determination: Carbon Steel Wire Rod From Spain* (49 FR 19551, may 8, 1984).

Comment 9: Respondents argue that, whether the export loans are dollar loans or dollar-linked NIS loans, a dollar-denominated benchmark must be used. Since there are no other sources of dollar financing in Israel and since, in the absence of this program, METCO would have been forced to seek comparable dollar loans abroad, the Department in its preliminary determination correctly used as a benchmark the interest rate METCO would have had to pay for a dollar loan on the Euro market.

DOC Position: See section I.B.2 of this notice.

Comment 10: Respondents argue that in setting the duty deposit rate, the Department should not include benefits from NIS-denominated loans made prior to July 1985 under the EPF. Respondents noted that NIS loans are no longer available under the EPF, and that, therefore, the estimated subsidy should be reduced.

DOC Position: We disagree. See DOC position on petitioners' comment 5.

Comment 11: Respondents argue that long-term deelopment loans are not countervailable because they are currently offered exclusively by private commercial banks, and the Israeli government's only role is to raise, through bond offerings, money it lends to commercial banks. Furthermore, respondents argue that the loans are not limited to a specific industry.

DOC Position: We disagree. At the time METCO's loans were received, the loans were offered by the Industrial Development Bank of Israel, not private commercial banks. As described in section I.A.2., *supra*, eligibility for these loans is limited to companies designated by the Israeli government as "approved enterprises."

Comment 12: Respondents argue that, although the rates paid on development loans varied according to the region of the country in which the project in question was located, METCO paid the highest regional rate on all of its loans. Therefore, these loans conferred no benefit on METCO.

DOC Position: We disagree. We have determined that development loans are available only to a limited group of enterprises or industries, because they are provided only to "approved enterprises" and because the Israeli government did not demonstrate that these designated firms comprise more than a specific group of enterprises or industries. The benefit to METCO is equal to the difference between the interest paid by METCO on its loans and the interest which would be paid on comparable commercial loans.

Comment 13: Respondents argue that if the Department does find long-term development loans to be countervailable, the benchmark rate should be the rate the Israeli government pays on government bonds since the bond rate is the best measure of the cost of borrowing in Israel.

DOC Position: We disagree. The relevant consideration in determining our benchmark is alternative commercial sources of financing, not the government cost of borowing.

Suspension of Liquidation

In accordance with section 705(d) of the Act, if the ITC determines that imports of OCTG materially injure, or threaten material injury to, a U.S. industry, we will direct the U.S. Customs Service to resume the suspension of liquidation of OCTG from Israel and to require a cash deposit on entries or withdrawals from warehouse for consumption in an amount equal to 11.86 percent *ad valorem*.

Verification

In accordance with section 776(a) of the Act, we verified the information used in making our final determination. During verification, we followed standard verification procedures, including tracing the information in the responses to source documents, accounting ledgers, financial statements and annual reports.

ITC Notification

In accordance with section 705 of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC 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.

If the ITC determines that material injury, or the threat of material injury, does not exist, this proceeding will be terminated, and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue a countervailing duty order directing the Customs officers to assess countervailing duties on all entries of OCTG from Israel entered, or withdrawn from warehouse, for consumption as described in the "Suspension of Liquidation" section of this notice.

This notice is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

January 7, 1987.

[FR Doc. 87-915 Filed 1-14-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX C

LIST OF WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Oil Country Tubular Goods from Israel

Inv. Nos. : 701-TA-271 (Final) and 731-TA-318 (Final)

Date and time : January 14, 1987 - 9:30 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the imposition of countervailing and or antidumping duties

Akin, Gump, Strauss, Hauer & Feld--Counsel
Washington, D.C.
on behalf of

Lone Star Steel Company and CF&I Steel Corporation

James E. Chenault, Jr., President, Lone Star Steel Company

James W. Chenoweth, Manager, International Trade Affairs, Lone Star Steel Company

Shannon S. Shuman, Economist

Thomas L. Rogers, Economist

Warren E. Connelly)--OF COUNSEL
Angela J. Paolini)

- more -

In opposition to the imposition of countervailing and or antidumping duties

Arnold & Porter--Counsel
Washington, D.C.
on behalf of

Middle East Tube Co. Ltd. ("METCO")

Avraham Porat, Managing Director, METCO

Joe Jameson, Phillip Brothers

Jacob Gang, formerly President of Solcoor, Inc.

Alan Madian, Erb & Madian

Patrick F.J. Macrory)
Douglas A. Dworkin)--OF COUNSEL

APPENDIX D

STATISTICAL TABLES

Table D-1.--Welded oil country tubular goods: U.S. production, capacity, and capacity utilization, 1983-85, January-September 1985, and January-September 1986

Period	Production	Capacity	Capacity utilization 1/
	--------1,000 tons--------		Percent
1983	460	3,497	13.2
1984	947	2,516	37.6
1985	778	2,391	32.5
January-September--			
1985	540	1,790	30.2
1986	188	1,787	10.5

1/ Capacity utilization is based on production of welded oil country tubular goods in tubular production facilities which, depending on the producer, may be employed in the production of other welded tubular products.

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, January-September 1985, and January-September 1986

Period	Production	Capacity	Capacity utilization 1/
	--------1,000 tons--------		Percent
1983	148	2,280	6.5
1984	752	2,687	28.0
1985	683	2,289	29.9
January-September--			
1985	569	1,714	33.2
1986	234	1,485	15.8

1/ Capacity utilization is based on production of seamless oil country tubular goods in tubular production facilities which, depending on the producer, may be employed in the production of other seamless tubular products.

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, January-September 1985, and January-September 1986

(In thousands of tons)

Period	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	***	601
1984	***	***	***	934
1985	***	***	***	775
January-September--				
1985	***	***	***	540
1986	***	***	***	***

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' shipments, 1983-85, January-September 1985, and January-September 1986

(In thousands of tons)

Period	Intracompany shipments	Domestic shipments	Export shipments	Total
1983	***	***	***	194
1984	***	***	***	683
1985	***	***	***	719
January-September--				
1985	***	***	***	567
1986	***	***	***	***

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, productivity, wages paid, total compensation, and unit labor costs, 1983-85, January-September 1985, and January-September 1986

Period	Number of workers	Hours worked	Productivity	Wages paid	Total compensation	Unit labor costs
		1,000	Tons/hour	----Per hour----		Per ton
1983	2,540	4,629	0.096	$12.82	$18.24	$190
1984	3,496	6,707	.137	11.70	15.30	112
1985	3,099	4,992	.149	12.64	17.21	115
Jan.-Sept. 1/--						
1985	***	***	.129	12.61	17.58	136
1986	***	***	.195	12.61	17.41	89

1/ Partial year data include firms accounting for an average of *** percent of production during January-September 1985 and January-September 1986.

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, productivity, wages paid, total compensation, and unit labor costs, 1983-85, January-September 1985, and January-September 1986

Period	Number of workers	Hours worked	Productivity	Wages paid	Total compensation	Unit labor costs
		1,000	Tons/hour	----Per hour----		Per ton
1983	2,272	4,542	0.033	$12.83	$23.02	$708
1984	3,978	8,159	.092	13.64	20.33	221
1985	3,723	7,642	.089	14.29	20.92	234
Jan.-Sept. 1/--						
1985	***	***	.093	13.22	21.83	235
1986	***	***	.133	14.44	24.73	185

1/ Partial-year data include firms accounting for an average of *** percent of production during January-September 1985 and January-September 1986.

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

Table D-7.--Welded oil country tubular goods: Income-and-loss experience of U.S. producers on their operations, accounting years 1983-85, and interim periods ended Sept. 30, 1985, and Sept. 30, 1986

Item	1983	1984	1985	Interim period ended Sept. 30-- 1985	Interim period ended Sept. 30-- 1986
Net sales..1,000 dollars..	237,655	415,820	344,609	207,583	73,885
Cost of goods sold..do....	320,988	403,381	383,313	239,085	80,103
Gross profit or (loss) 1,000 dollars..	(83,333)	12,439	(38,704)	31,502	6,218
General, selling, and administrative expense....1,000 dollars..	33,316	34,642	27,357	15,257	7,994
Operating income or (loss) 1,000 dollars..	(116,649)	(22,203)	(66,061)	(46,759)	(14,212)
Depreciation and amortization expense 1,000 dollars..	24,337	26,591	25,376	793	651 1/
Ratio to net sales of--					
Cost of goods sold percent..	135.1	97.0	111.2	115.2	108.4
Gross profit or (loss) percent..	(35.1)	3.0	(11.2)	(15.2)	(8.4)
General, selling, and administrative expense......percent..	14.0	8.3	7.9	7.3	10.8
Operating income or (loss) percent..	(49.1)	(5.3)	(19.2)	(22.5)	(19.2)

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

Table D-8.--Seamless oil country tubular goods: Income-and-loss experience of U.S. producers on their operations, accounting years 1983-85, and interim periods ended Sept. 30, 1985, and Sept. 30, 1986

Item	1983	1984	1985	Interim period ended September 30-- 1985	1986
Net sales..1,000 dollars..	90,609	522,128	558,039	437,128	161,305
Cost of goods sold..do....	306,613	743,862	601,890	462,615	215,636
Gross profit or (loss) 1,000 dollars..	(216,004)	(221,734)	(43,851)	(25,487)	(54,331)
General, selling, and administrative expense....1,000 dollars..	26,396	36,083	15,340	13,167	8,526
Operating income or (loss) 1,000 dollars..	(242,400)	(257,817)	(59,191)	(38,654)	(62,857)
Depreciation and amortization expense 1,000 dollars..	12,042	32,917	34,702	27,008	15,286
Ratio to net sales of--					
Cost of goods sold percent..	338.4	142.5	107.9	105.8	133.7
Gross profit or (loss) percent..	(238.4)	(42.5)	(7.9)	(5.8)	(33.7)
General, selling, and administrative expens.........percent..	29.1	6.9	2.7	3.0	5.3
Operating income or (loss) percent..	(267.5)	(49.4)	(10.6)	(8.8)	(39.0)

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

APPENDIX E

U.S. PRODUCERS OF OIL COUNTRY TUBULAR GOODS AND THEIR MARKET SHARES, BY OPERATING STATUS, 1982, 1985, AND JANUARY-SEPTEMBER 1986

Table E.--U.S. producers of oil country tubular goods and their market shares, by operating status, 1982, 1985, and January-September 1986

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APPENDIX F

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

Table F-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-September 1986

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Table F-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-December 1985

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Table F-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-September 1986

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