Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy

Investigations Nos. 701-TA-362 and 731-TA-707 through 710 (Preliminary)

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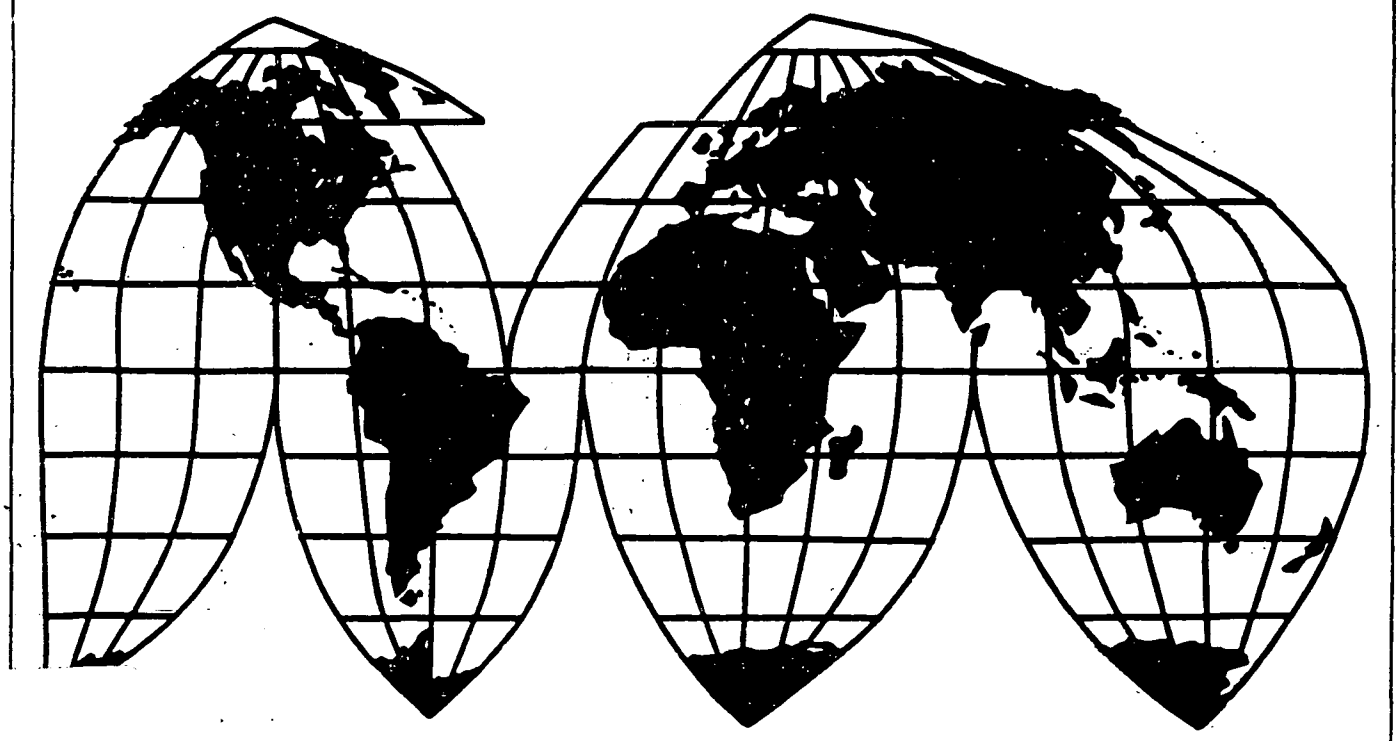

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Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

PART I

DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-362 and 731-TA-707-710 (Preliminary)

CERTAIN SEAMLESS CARBON AND ALLOY
STANDARD, LINE, AND PRESSURE STEEL PIPE
FROM ARGENTINA, BRAZIL, GERMANY, AND ITALY

Determinations

On the basis of the record[1] developed in the subject investigations, the Commission unanimously determines,[2] pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930, (19 U.S.C. § 1671b(a)) and (19 U.S.C. § 1673b(a)), respectively, that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Italy of certain seamless carbon and alloy standard, line, and pressure steel pipe[3] that are alleged to be subsidized by the Government of Italy and by reason of imports from Argentina, Brazil, Italy, and Germany of certain seamless carbon and alloy standard, line, and pressure steel pipe that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On June 23, 1994, a petition was filed with the Commission and the Department of Commerce by the Gulf States Tube Division of Quanex Corp., Rosenberg, TX, alleging that an industry in the United States is materially injured or threatened with material injury by reason of imports from Italy of certain seamless carbon and alloy standard, line, and pressure steel pipe that are alleged to be subsidized by the Government of Italy and by reason of LTFV imports from Argentina, Brazil, Germany, and Italy of such pipe. Accordingly, effective June 23, 1994, the Commission instituted countervailing duty investigation No. 701-TA-362 (Preliminary) and antidumping investigations Nos. 731-TA-707-710 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 30, 1994 (59 FR 33780). The conference was held in Washington, DC, on July 14, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Due to a communications systems failure just prior to the Commission meeting on August 3, 1994, Commissioner Newquist was not able to participate in these investigations. Had he participated, Commissioner Newquist would have made affirmative determinations.

[3] Imports are currently classified under Harmonized Tariff Schedule item numbers 7304.10.1020, 7304.10.5020, 7304.31.6050, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.51.5005, 7304.51.5060, 7304.59.6000, 7304.59.8010, 7304.59.8015, 7304.59.8020, and 7304.59.8025.

VIEWS OF THE COMMISSION[1]

Based on the record in these preliminary investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain seamless carbon and alloy standard, line and pressure steel pipe from Argentina, Brazil, Germany, and Italy that are allegedly sold in the United States at less than fair value (LTFV), and of certain seamless carbon and alloy standard, line and pressure steel pipe from Italy that are allegedly subsidized.[2]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping and countervailing duty investigations requires the Commission to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly subsidized and LTFV imports.[3] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."[4]

II. LIKE PRODUCT

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports, the Commission must first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the relevant industry 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."[5] In turn, the Act defines "like product" as a "product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[6]

The Commission's decision regarding the appropriate like product(s) in an investigation is essentially a factual determination, and the Commission applies the statutory

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[1] Commissioner Newquist did not participate in these determinations.

[2] Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

[3] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. United States Int'l Trade Comm'n, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

[4] American Lamb Co. v. United States, 785 F.2d at 1001; see also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), aff'd without opinion, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

[5] 19 U.S.C. § 1677(4)(A).

[6] 19 U.S.C. § 1677(10).

standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation. Generally, the Commission requires "clear dividing lines among possible like products" and disregards minor variations.[8]

B. The Like Product

The Department of Commerce ("Commerce") has defined the scope of these investigations as follows:

> seamless carbon and alloy (other than stainless) steel pipes, of circular cross-section, not more than 114.3 mm (4.5 inches) in outside diameter, regardless of wall thickness, manufacturing process (hot-finished or cold-drawn), end finish (plain end, bevelled end, upset end, threaded, or threaded and coupled), or surface finish. These pipes are commonly known as standard pipe, line pipe or pressure pipe, depending upon the application. They may also be used in structural applications.[9]

Specifically excluded from these investigations are boiler tubing, mechanical tubing and oil country tubular goods (OCTG), except when used in a standard, line or pressure pipe application. Also excluded from these investigations are redraw hollows for cold-drawing when used in the production of cold-drawn pipe or tubes.[10]

Seamless pressure pipe is intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gases in industrial piping systems. It may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the American Society for Testing and Materials (ASTM) standard A-106 may be used in temperatures of up to 1000 degrees fahrenheit, at various American Society of Mechanical Engineers (ASME) code stress levels. Alloy pipes made to ASTM standard A-335 must be used if temperatures and stress levels exceed those allowed for A-106 and the

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[7] See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("[E]very like product determination 'must be made on the particular record at issue' and the 'unique facts of each case.'"). In analyzing like product issues, the Commission generally considers six factors, including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and (6) where appropriate, price. Calabrian Corp. v. United States Int'l Trade Comm'n, 794 F. Supp. at 382 n.4. Alternatively, when appropriate, the Commission may engage in a finished/semi-finished product analysis to determine whether products at different stages of production are like products, as discussed further below.

[8] Torrington Co. v. United States, 747 F. Supp. at 748-49.

[9] 59 Fed. Reg. 37025 (July 20, 1994) (antidumping duty notice of initiation); 59 Fed. Reg. 37028 (July 20, 1994) (countervailing duty notice of initiation). The imported products subject to these investigations are certain seamless carbon and alloy steel pipes currently classified under Harmonized Tariff Schedule subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25. 59 Fed. Reg. 37026, 37028.

[10] 59 Fed. Reg. 37026, 37029.

ASME codes. Seamless pressure pipe sold in the United States is commonly produced to the ASTM A-106 standard.[11]

Seamless standard pipe is most commonly produced to the ASTM A-53 specification and generally is not intended for high temperature service. It is intended for the low temperature and pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipe (depending on type and code) may carry liquids at elevated temperatures, but must not exceed relevant ASME code requirements.[12]

Seamless line pipe is intended for the conveyance of oil and natural gas or other fluids in pipe lines. Seamless line pipe is produced to the American Petroleum Institute (API)-5L specification.[13]

The primary application of ASTM A-106 pressure pipes and triple-certified pipes is in pressure piping systems by refineries, petrochemical plants and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear) and in some oil field uses (onshore and offshore), such as for separator lines, gathering lines and metering runs. A minor application is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. A-106 pipes may also be used in some boiler applications.[14]

Petitioner argues that there should be one like product consisting of circular seamless carbon and alloy steel standard, line and pressure pipe not more than 4.5 inches in outside diameter. No respondent argues with petitioner's proposed definition of the like product. However, because issues relating to the like product have arisen in past investigations of various types of steel pipe and because the scope of imports subject to investigation, as proposed in the petition and defined by Commerce, is somewhat ambiguous, we have addressed certain like product issues not pursued by the parties. While we must accept Commerce's determination as to which imported merchandise is within the class or kind of merchandise allegedly sold at less than fair value, we determine which domestic product is like the imported articles identified by Commerce.[15] [16]

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[11] 59 Fed. Reg. 37026, 37028; Public Report ("PR") at II-5; Confidential Report to the Commission ("CR") at I-7.

[12] 59 Fed. Reg. 37026, 37028-29; PR at II-5; CR at I-7.

[13] 59 Fed. Reg. 37026, 37029; PR at II-5; CR at I-7. Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53 and API-5L specifications. Such triple certification of pipes is common because all pipes meeting the stringent A-106 specification necessarily meet the API-5L and ASTM A-53 specifications. Pipes meeting the API-5L specification necessarily meet the ASTM A-53 specification. However, pipes meeting the A-53 or API-5L specifications do not necessarily meet the A-106 specification. To avoid maintaining separate production runs and separate inventories, manufacturers triple certify the pipes. Because distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers. 59 Fed. Reg. 37026, 37029; PR at II-6; CR at I-7.

[14] 59 Fed. Reg. 37026, 37029.

[15] See, e.g., Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.2d 240 (Fed. Cir. 1989) ("ITC does not look behind ITA's [Commerce's] determination, but accepts ITA's determination as to which merchandise is in the class of merchandise sold at LTFV"); Torrington Co. v. United States, 747 F. Supp. at 748.

[16] Chairman Watson and Vice Chairman Nuzum emphasize that they wish to examine several like product questions closely in any final investigations. They request that parties address this issue fully in prehearing briefs in the event of final investigations.

1. Whether standard, line and pressure carbon steel and alloy pipes should constitute a single like product

The similarities in physical characteristics and uses, channels of distribution, and customer and producer perceptions, and the use of common manufacturing facilities and production employees support a finding that there is one like product, consisting of certain seamless carbon and alloy standard, line and pressure steel pipe, regardless of certification.

Almost all of the seamless pipe produced in and imported into the United States is manufactured using carbon steel.[17] It appears that there is no clear dividing line between the various types of pipe according to chemical composition or certification. The vast majority of the seamless pipe is sold to unrelated distributors[18] and the majority of the domestic product is triple-stencilled.[19] In addition, many firms, especially the larger suppliers, cannot identify the end use of the pipe without tracing individual sales.[20] More specifically with respect to carbon versus alloy steel pipe, we note that the production processes are virtually identical, differing only in the type of bar that is fed into the press.[21] Producers can easily switch from the manufacture of carbon steel pipe to alloy steel pipe on the same equipment.[22] Accordingly, we find that certain seamless carbon and alloy standard, line and pressure steel pipes constitute one like product.[23]

2. Whether to find two like products on the basis of size

Most seamless pipes two inches or less in outside diameter are used as pressure pipe in process piping applications, while most pipes between two and 4.5 inches are sold as line pipe.[24] For these reasons we have considered whether to find two like products on the basis of size: certain seamless carbon and alloy standard, line and pressure pipe that is two inches or less in outside diameter, and certain seamless carbon and alloy standard, line and pressure pipe that is between two and 4.5 inches in outside diameter. We determine, for the purpose of these preliminary investigations, that there is an insufficient dividing line to warrant a determination of separate like products.

There is very limited information on the record on this issue, but available data do not indicate a clear dividing line for pipes on the basis of size, particularly in light of the alleged "continuum" nature of pipe sizes, and at least some common production facilities.

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[17] PR at II-16 n.34; CR at I-22 n.34.

[18] PR at II-19 & Table 4, II-20; CR at I-31 & Table 4.

[19] PR at II-15; CR at I-19 - I-20.

[20] PR at II-14; CR at I-19.

[21] PR at II-16; CR at I-23.

[22] Tr. at 43.

[23] In any final investigations, we would request the parties, especially respondents, to address the issue of whether standard, line and pressure pipes are separate like products.

[24] There is, however, an overlap between pressure and line pipe. See Petitioner's Post-conference Brief at 47.

The channels of distribution are largely the same regardless of the size of the pipe.[25] Moreover, we do not usually define separate like products on the basis of size alone.[26]

3. Whether the definition of the like product should also include welded standard, line and pressure pipe

In past investigations, the Commission has found seamless and welded pipe to be separate like products.[27] The limited information available in these investigations does not, in our view, offer persuasive evidence to include welded pipe in the same like product.[28] Although the channels of distribution for the groups of products are similar and there is some degree of interchangeability between them, the differences in physical characteristics and uses, manufacturing process and price seem to outweigh this similarity.[29] We therefore decline to include welded standard, line and pressure pipe in the definition of the like product.

4. Whether the definition of the like product should also include stainless steel pipe

Seamless pipe may be produced using stainless steel.[30] However, in previous investigations we have not included carbon and alloy pipes in our investigations of stainless steel pipes[31] or included stainless steel pipes in our investigations of carbon steel pipes.[32]

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[25] See Petitioner's Postconference Brief at 46-48; Postconference Brief of Mannesmann, Ex. 5 at i-ii; Tr. at 13-15.

[26] Silicon Carbide from the People's Republic of China, Inv. No. 731-TA-651 (Final), USITC Pub. 2779, at I-9 n.33 (June 1994); see also Certain Line Pipes and Tubes from Canada, Inv. No. 731-TA-375 (Preliminary), USITC Pub. 1965, at 6-7 (Mar. 1987). In any final investigations, we shall request the parties, especially respondents, to present their arguments as to whether we should determine that there are two like products based on size.

[27] See, e.g., Welded Stainless Steel Pipe from Malaysia, Inv. No. 731-TA-644 (Preliminary), USITC Pub. 2744, at I-6 n.7 (Mar. 1994) (noting the Commission has determined that seamless and welded pipe and tube are separate like products); Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. 1966, at 6 (Apr. 1987); Stainless Steel Pipes and Tubes from Sweden, Inv. No. 731-TA-354 (Preliminary), USITC Pub. 1919, at 7 (Dec. 1986); Certain Seamless Steel Pipes and Tubes from Japan, Inv. No. 731-TA-87 (Final), USITC Pub. 1347, at 4 (Feb. 1983).

[28] We note that imports of welded pipe are not subject to investigation.

[29] See Petitioner's Postconference Brief at 39-41; Respondents' Economic Submission at 21-22; Tr. at 78, 83, 99-100, 145.

[30] PR at II-4 n.8; CR at I-5 n.8.

[31] See, e.g., Welded Stainless Steel Pipe from Malaysia, USITC Pub. 2744, at I-6 - I-7; Certain Stainless Steel Pipes from The Republic of Korea and Taiwan, Invs. Nos. 731-TA-540-541 (Preliminary), USITC Pub. 2474, at 8-9 (Jan. 1992); Certain Seamless Steel Pipes and Tubes from Japan, USITC Pub. 1347, at 5-6; Stainless Steel Pipes and Tubes from Sweden , USITC Pub. 1919, at 6-7.

[32] See, e.g., Certain Welded Carbon Steel Pipes and Tubes from Taiwan, Inv. No. 731-TA-349 (Preliminary), USITC Pub. 1906, at 4-5 (Nov. 1986); Certain Carbon Steel Pipes and Tubes from The People's Republic of China, The Philippines and Singapore, Invs. Nos. 731-TA-292-296 (Preliminary), USITC Pub. 1796, at 6 (Dec. 1985); Certain Welded Carbon Steel Pipes and Tubes from The Republic of Korea and Taiwan, Invs. Nos. 731-TA-131-132 (Preliminary), USITC Pub. 1389, at 6-9 (June 1983); (continued...)

Available data indicate that there are clear dividing lines between the two products based on differences in physical characteristics and uses, the manufacturing process, and price. Stainless steel contains a higher level of chromium than carbon steel.[33] The conventional rotary piercing mills and the extrusion presses, used by domestic producers, cannot produce stainless steel seamless pipe.[34] Stainless steel pipe is used in highly corrosive atmospheres and in automotive systems.[35] Carbon and alloy pipe is generally intended to convey substances and is typically tested and rated for its ability to withstand internal hydrostatic pressure.[36] It appears that purchasers do not view certain carbon and alloy seamless pipe as substitutable with stainless pipe.[37] We therefore find a sufficiently clear dividing line between stainless steel pipe and alloy steel pipe.

5. Like product corresponding to boiler tubing, mechanical tubing and OCTG used in standard, line or pressure applications

The petition's description of its intended exceptions to the scope of the investigations has created a considerable amount of confusion for the Commission's data collection efforts. As stated above, Commerce excluded most boiler tubing, mechanical tubing and OCTG[38] from the scope of these investigations, which involved certain pipe products.[39] However, to address anticircumvention concerns of the petitioner, Commerce includes within the scope of these investigations those otherwise excluded tubes if they are used in standard, line or pressure pipe applications.[40] Petitioner admits that there is no injury from these products and is not seeking to include them generally within the scope of the investigations.[41]

We must define a like product or products corresponding to the tube products contained in the scope of these investigations, viz., those designated tube products that are

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[32] (...continued)
Certain Welded Carbon Steel Pipes and Tubes from The Republic of Korea, Inv. No. 701-TA-168 (Final), USITC Pub. 1345, at 5 (Feb. 1983).

[33] PR at II-7; CR at I-12.

[34] PR at II-4 n.8, II-7 & n.17; CR at I-5 n.8, I-12 & n.17.

[35] PR at II-4 n.8; CR at I-5 n.8.

[36] PR at II-4 n.9; CR at I-6 n.9.

[37] Tr. at 82-83.

[38] Boiler tubing is used to produce steam. Mechanical tubing is typically a custom-designed product utilized within the automotive industry and by equipment manufacturers. OCTG are used to drill oil and gas wells and to convey oil and gas to ground level. PR at II-4-II-5 n.9; CR at I-6 n.9.

[39] The term "pipes" refers to products made to standardized wall thicknesses and outside diameters. They are generally referred to in terms of nominal sizes, which roughly correspond to the inner diameter of the pipe. "Tubes" has historically referred to products that are produced to customer or industry specifications and are generally ordered to specific outside diameters and wall thicknesses. However, pipes are less easily distinguished from tubes today than they have been in the past. Petitioner's Postconference Brief at 45; see also Tr. at 46.

[40] The language in the Commerce's notice of initiation is as follows: "Specifically excluded from these investigations are boiler tubing, mechanical tubing and oil country tubular goods except when used in a standard, line or pressure pipe application." 59 Fed. Reg. 37026, 37029 (emphasis added).

[41] Tr. at 67.

utilized for standard, line or pressure pipe applications.[42] Accordingly, for the purpose of these preliminary investigations, we deem the "pipe" like product to include tubes meeting the specifications stated in the scope and/or used for standard, line and pressure applications. In any final investigations, however, we shall seek additional information on the distinctions between the excluded tubing products and the tubes that are within the scope.[43] In this connection, further clarification of the scope may be made by Commerce in its determinations.[44]

6. Whether the definition of the like product should also include redraw hollows

Redraw hollows are used to manufacture seamless pipe. They are essentially unfinished pipe made to the general specifications for the particular seamless finished pipe into which it is to be drawn. They may be subjected to a finishing process known as cold drawing, which, for subject products, is most commonly used to draw pipe into smaller diameters than can be hot-finished.[45] Redraw hollows used for cold drawing are excluded from the scope when used in the production of cold-drawn pipe or tube.[46] Thus, redraw hollows that are not subjected to cold drawing are included within the scope of these investigations. It is unclear from the record whether redraw hollows that are not cold drawn are actually produced by the domestic industry. However, the term has been used more generally in these investigations to refer to pipe that is unfinished, but not subjected to cold drawing. Moreover, the Commission has included redraw hollows in the same like product as finished pipe in the past, when redraw hollows were generally included in the scope of the investigations.[47]

In determining whether all redraw hollows should be included within the definition of the like product, we have determined to use our finished/semi-finished product analysis.[48]

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[42] Compare Disposable Lighters from The People's Republic of China and Thailand, Invs. Nos. 303-TA-25 and 731-TA-700-701 (Preliminary), USITC Pub. 2792, at I-9 (June 1994) with Fresh Cut Roses from Colombia and Ecuador, Invs. Nos. 731-TA-684-685 (Preliminary), USITC Pub. 2766, at I-8 (Mar. 1994).

[43] In any final investigations we shall ask the parties, especially the respondents, to provide us with information as to whether we should include tubes in the like product, and if so, which tubes specifically.

We note that the like product definition has been rendered more difficult by the decision by respondents to defer detailed argument about the appropriate like product until any final investigations. See generally 19 C.F.R. §§ 207.21 (preparation of the prehearing staff report), 207.22-.24.

[44] Commerce has informally informed us that any product made to A-106, A-53, A-335 or API-5L specifications is included, regardless of application, although this fact is not clear from Commerce's description of the scope. PR at II-14 n.23; CR at I-18 n.23; see 59 Fed. Reg. 37026, 37028-29.

While the scope definition may be designed to prevent circumvention, the relevant inquiry for the Commission is what is the scope definition, not why it is defined in a particular manner. Disposable Lighters from the People's Republic of China and Thailand, USITC Pub. 2792, at I-9 n.32.

[45] See PR at II-10; CR at I-12, I-14; Petitioner's Postconference Brief at 43.

[46] 59 Fed. Reg. 37026, 37029.

[47] See Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1966, at 7-8; Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1919, at 7-8.

[48] Because "redraw hollows" has been used to refer to input in a general sense as well as to unfinished pipe made to the general specifications for the pipe into which it is to be drawn, we include all redraw hollows within the definition of the like product for the purpose of these preliminary investigations. We shall reexamine this issue in any final investigations.

The production process for certain seamless carbon and alloy steel pipe that is finished using cold drawing can be viewed as a continuum with redraw hollows at the "unprocessed" stage and finished pipe at the "most processed" stage.[49] Under this analysis, we examine five factors to determine whether semi-finished products should be included as the same like product as a finished product.[50]

The limited available data on these factors are mixed. Redraw hollows are only used in the manufacture of finished pipe, a fact that indicates that they should be considered part of the like product. Moreover, we note that the data available to the Commission on redraw hollows are subsumed in the data for finished pipe.[51] Yet differences exist in the market for redraw hollows as compared to the market for finished pipe, and the price of redraw hollows is considerably less than the price of finished pipe. While we have included redraw hollows in the like product in the past,[52] these investigations, unlike those cases, have generally excluded redraw hollows from the scope. For the purpose of these preliminary investigations, we find that redraw hollows should be included in the definition of the like product, although both petitioner and respondents argue against their inclusion.

In summary, for the purpose of these preliminary investigations we adopt the following definition of the like product: one like product consisting of circular seamless carbon and alloy steel standard, line and pressure pipe and tubes not more than 4.5 inches in outside diameter, and including redraw hollows. As stated above, we shall seek to obtain further clarification of the scope from Commerce in any final investigations.

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[49] Stainless Steel Bar from Brazil, India, Italy, Japan, and Spain, Invs. Nos. 731-TA-678-682 (Preliminary), USITC Pub. 2734, at I-7 (Feb. 1994); Aramid Fiber Formed of Poly Para-Phenylene Terephthalamide from the Netherlands, Inv. No. 731-TA-652 (Preliminary), USITC Pub. 2672, at 8 n.13 (Aug. 1993).

[50] The analysis asks:

(1) Is the upstream article dedicated to the production of the downstream article or does it have independent uses?

(2) Are there perceived to be separate markets for the upstream and downstream articles?

(3) How different are the physical characteristics and functions of the upstream and downstream articles?

(4) What are the differences in the costs or value of the vertically differentiated articles?

(5) What is the significance and extent of the processes used to transform the upstream into the downstream articles?

See Stainless Steel Bar from Brazil, India, Italy, Japan, and Spain, USITC Pub. 2734, at I-12.

[51] See PR at II-25 n.46; CR at I-39 n.46. One domestic producer does not first manufacture redraw hollows, but purchases them. It then cold draws them into pipe. PR at II-19; CR at I-26. Thus, the data pertaining to pipe reported by that producer are also the data pertaining to redraw hollows. ***. PR at II-19; CR at I-29.

***. ***. See PR at II-7; CR at I-12. ***. See PR at II-19, Table 2 n.4; CR at I-27, Table 2 n.4. ***.

[52] See Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1966, at 7-8; Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1919, at 7-8.

III. DOMESTIC INDUSTRY

A. In General

Section 771(4)(A) of the Act defines the relevant domestic industry 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."[53] In determining the domestic industry, the Commission's general practice has been to include all domestic production, whether toll-produced, captively consumed or sold in the open market.[54] Although no party has raised the issue, there is a question as to whether the pertinent domestic industry should include one domestic producer that does not manufacture its input, but purchases it and then redraws it into the subject pipe ***. ***.

B. Production-Related Activities in the United States

In deciding whether a firm qualifies as a domestic producer, the Commission has often analyzed the overall nature of a firm's production-related activities in the United States.[55] In these investigations, no party has argued that the domestic producer should be excluded from the industry on this basis. The value added by cold drawing is not insubstantial. ***.[56] ***.[57] ***.[58] ***.[59]

We note that in the past we have determined that redrawers should be included within the domestic industry.[60] We find no evidence in the record to necessitate a departure from that practice. Accordingly, we determine that the producer's finishing operations are sufficient to consider it to be a domestic producer.

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[53] 19 U.S.C. § 1677(4)(A).

[54] See 19 U.S.C. § 1677(4)(A); Fresh Garlic from China, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755, at I-10 (Mar. 1994); Certain Flat-Rolled Carbon Steel Products, Invs. Nos. 701-TA-319 et seq., 731-TA-573 et seq. (Final), USITC Pub. 2664, Vol. I, at 17 (Aug. 1993).

[55] We have examined six factors in this regard: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. See, e.g., Silicon Carbide from The People's Republic of China, USITC Pub. 2779, at I-11 n.49; see also Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Invs. Nos. 731-TA-520-521 (Final), USITC Pub. 2528, at 6-7 & n.16 (June 1992). No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. Silicon Carbide from The People's Republic of China, USITC Pub. 2779, at I-11 n.49.

[56] Cold drawing is labor intensive and adds a significant amount of value to the finished product. PR at II-7, II-10; CR at I-12, I-14.

[57] See PR at II-26, Table 8; CR at I-40, Table 8.

[58] See PR at II-31, Table 12, II-32, Table 13; CR at I-49, Tables 12 & 13.

[59] See PR at II-19; CR at I-28.

[60] See Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. 1966, at 7-8 (Apr. 1987); Stainless Steel Pipes and Tubes from Sweden, Inv. No. 731-TA-354 (Preliminary), USITC Pub. 1919, at 9 (Dec. 1986).

C. Related Parties

The related parties provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination. Applying the provision involves two steps.[61] First, the Commission must determine whether the domestic producer meets the definition of a related party. The statute defines a related party as a domestic producer who is either related to exporters or importers of the product under investigation, or is itself an importer of that product. Second, if a producer is a related party, the Commission may exclude such producer if "appropriate circumstances" exist.[62] Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.[63] The rationale for the related parties provision is the concern that domestic producers who are related parties may be in a position that shields them from any injury that might be caused by the imports. Thus, including these parties within the domestic industry would distort the analysis of the condition of the domestic industry.[64]

No party has raised an issue with respect to related parties in these investigations. However, ***.[65] When a purchaser is not an importer of record of the product, it could be considered a related party if it enjoys a special relationship or otherwise has control over imports by virtue of significant importations. No such relationship existed between the domestic and foreign producers.[66] We therefore find that the domestic producer is not a related party and include it in the domestic industry.

IV. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of allegedly subsidized and LTFV imports, the Commission

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[61] See, e.g., Canned Pineapple Fruit from Thailand, Inv. No. 731-TA-706 (Preliminary), USITC Pub. 2798, at I-10 (July 1994); Certain Carbon Steel Butt-Weld Pipe Fittings from France, India, Israel, Malaysia, The Republic of Korea, Thailand, The United Kingdom, and Venezuela, Invs. Nos. 701-TA-360-361 and 731-TA-688-695 (Preliminary), USITC Pub. 2767, at I-8 - I-10 (Apr. 1994); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, USITC Pub. 2528, at 8.

[62] 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and (3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1168. The Commission has also considered whether each company's books are kept separately from its "relations" and whether the primary interests of the related producers lie in the domestic production or in the importation. See, e.g., Fresh Garlic from China, USITC Pub. 2755, at I-13.

[63] Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[64] See, e.g., Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989) (related party appeared to benefit from dumped imports), aff'd, 904 F.2d 46 (Fed. Cir. 1990); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, USITC Pub. 2528, at 8-9.

[65] See PR at II-19; CR at I-26, I-28 - I-29.

[66] See Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, USITC Pub. 2528, at 12-13.

considers all relevant economic factors that bear on the state of the industry in the United States.[67] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development.[68] No single factor is dispositive and all relevant factors are considered "within the business cycle and conditions of competition distinctive to the industry."[69]

A noteworthy condition of competition for this industry is that the demand for certain seamless pipe depends mainly on the level of demand in end use markets (such as refineries, petrochemical installations and energy plants) that employ industrial piping systems for the transmission of water, steam, petrochemicals, chemicals, oil, natural gas, and other gases and fluids. Demand for certain seamless pipe products fluctuated during the period of investigation, due in part to fluctuating crude oil prices and capital spending in the oil and petrochemical sector, and to the general downturn in the overall U.S. economy. In addition, Federal air quality regulations, as well as the increased influence of co-generation and the maturity of the power generation industry, have dampened demand.[70]

In terms of volume, the domestic consumption of certain seamless pipe increased irregularly from 1991 to 1993: falling from 213,284 short tons to 168,994 short tons in 1992, then climbing to 225,488 short tons in 1993. Domestic consumption was lower in interim 1994 as compared with interim 1993 -- 62,907 short tons as compared to 49,600 short tons. The value of domestic consumption decreased from $165.6 million in 1991 to $121.5 million in 1992, but increased somewhat to $145.2 million in 1993. The value of domestic consumption was also smaller in interim 1994 ($31.3 million) as compared with $39.5 million in interim 1993.[71]

While the volume of production expanded steadily from 105,709 short tons in 1991 to 147,330 short tons in 1993, production was 51,809 short tons in interim 1993, as compared with 39,446 short tons in interim 1994.[72] End-of-period capacity increased from 235,761 short tons in 1991 to 247,650 short tons in 1993, but was 63,517 short tons in interim 1993 as compared with 61,668 short tons in interim 1994,[73] while capacity utilization increased from 33.5 percent to 46.2 percent between 1991 and 1993, but was only 47.7 percent in interim 1994, as compared with 58.6 percent in interim 1993.[74]

The volume of U.S. shipments of certain seamless pipe climbed steadily from 1991 to 1993: from 98,978 to 144,645 short tons. However, these shipments were 48,160 short tons in interim 1993, as compared with 37,307 short tons in 1994.[75] The value of these shipments followed the same trend: increasing from $83.5 million in 1991 to $95.5 million

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[67] 19 U.S.C. § 1677(7)(C)(iii).

[68] 19 U.S.C. § 1677(7)(C)(iii).

[69] 19 U.S.C. § 1677(7)(C)(iii).

[70] PR at II-18, Table 1; II-43 & n.73; CR at I-25, Table 1; I-73 & n.73.

[71] PR at II-18, Table 1; CR at I-25, Table 1.

[72] PR at II-22, Table 5; CR at I-34, Table 5.

[73] PR at II-22, Table 5; CR at I-34, Table 5. We note that due to the necessity of the producers to allocate capacity among the various steel products they manufacture, the reported capacity figures are not particularly precise. PR at II-21; CR at I-33.

[74] PR at II-22, Table 5; CR at I-34, Table 5. For the reason cited in the footnote above, we note that the capacity utilization data should also be viewed with caution.

[75] PR at II-24, Table 6; CR at I-36, Table 6.

in 1993. The value of shipments was $30.5 million in interim 1993 as compared with $23.4 million in interim 1994.[76]

Employment in the certain seamless pipe industry fluctuated during the period of investigation. The number of production and related workers increased from 198 to 299 between 1991 and 1993, and was 419 in interim 1993 as compared with 295 in interim 1994.[77] The hours worked increased from 481,000 in 1991 to 715,000 in 1993. Hours worked were 237,000 in interim 1993, as compared with 171,000 in interim 1994.[78] Hourly wages increased steadily throughout the period.[79] Productivity decreased somewhat from 1991 to 1993.[80]

The financial performance indicators were mixed. Although the value of net sales increased steadily from $85.4 million in 1991 to $97 million in 1993, net sales were $30.7 million in interim 1993, as compared with $23.4 million in interim 1994. Gross profits decreased by almost half from $12.1 million in 1991 to $6.7 million in 1993, and the industry suffered a loss of $370,000 in interim 1994. The industry also experienced a decline in operating income between 1991 and 1992, from a profit of $8.2 million in 1991 to a loss of $733,000 in 1992, then recovered somewhat to an income level of $1.2 million in 1993. Operating income declined again in interim 1994 (a loss of $1.5 million) as compared with interim 1993 (a profit of $515,000).[81] The operating income margin relative to net sales fluctuated but generally declined during the period of investigation: decreasing from 9.6 percent in 1991 to a loss of 0.9 percent in 1992, then rising somewhat to 1.2 percent in 1993. The operating income margin relative to net sales was 1.7 percent in interim 1993, as compared with an operating loss of 6.5 percent in interim 1994.[82]

Although the volume and value of U.S. shipments increased during most of the period of investigation, declining unit revenues were adversely reflected in the domestic industry's profits. The value of the cost of goods sold increased steadily from $73.3 million in 1991 to $90.4 million in 1993, and was $28.5 million in interim 1993, as compared with $23.8 million in interim 1994.[83] The cost of goods sold as a ratio to net sales increased irregularly over the period from 85.8 percent to 93.2 percent in 1993. The cost of goods sold was 92.8 percent in interim 1993, as compared with 101.6 percent in interim 1994. Selling, general and administrative expenses climbed from $3.9 million in 1991 to $5.5 million in 1993, but were $1.7 million in interim 1993 as compared with $1.1 million in interim 1994.[84] Capital expenditures declined between 1991 and 1993, but were greater in interim 1994 than in interim 1993.[85] In contrast, research and development expenditures for

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[76] PR at II-24, Table 6; CR at I-36, Table 6. Because certain seamless pipes are generally produced to order, inventories are of minimal importance in this industry. See Tr. at 129.

[77] PR at II-26, Table 8; CR at I-40, Table 8.

[78] PR at II-26, Table 8; CR at I-40, Table 8.

[79] PR at II-28, Table 8; CR at I-42, Table 8.

[80] PR at II-28, Table 8; CR at I-42, Table 8.

[81] PR at II-30, Table 9; CR at I-44, Table 9.

[82] PR at II-30, Table 9; CR at I-44, Table 9.

[83] Chairman Watson notes, however, that the overall increase in cost of goods sold is primarily due to changes in sales volume and not due to any particular increases in costs of production. Unit cost of goods sold decreased from $717 in 1991 to $613 in 1993 to $635 in interim 1994. PR at C-4, Table C-1; CR at C-4, Table C-1.

[84] PR at II-30, Table 9; CR at I-44, Table 9.

[85] PR at II-32, Table 13; CR at I-49, Table 13.

certain seamless pipe increased from 1991 to 1993, then declined in interim 1994 compared with interim 1993.[86] [87]

V. CUMULATION

A. In General

In determining whether there is material injury by reason of LTFV imports, the Commission is required to assess cumulatively the volume and effects of imports from two or more countries of like products subject to investigation if such imports are reasonably coincident with one another and compete with one another and with the domestic like product in the United States market,[88] unless imports from a subject country are negligible and have no discernible adverse impact on the domestic industry.[89] In determining whether there is a threat of material injury by reason of LTFV imports, cumulation is discretionary.[90]

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors:

> (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
>
> (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
>
> (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
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> (4) whether the imports are simultaneously present in the market.[91]

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether

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[86] PR at II-32, I-50; CR at I-50.

[87] Based on the foregoing, Commissioner Rohr finds that there is a reasonable indication that the domestic industry is experiencing material injury.

[88] 19 U.S.C. § 1677(7)(C)(iv); Chaparral Steel Co. v. United States, 901 F.2d 1097, 1105 (Fed. Cir. 1990).

[89] 19 U.S.C. § 1677(7)(C)(v).

[90] 19 U.S.C. § 1677(7)(F)(iv).

[91] See Certain Cast-Iron Pipe Fittings from Brazil, The Republic of Korea and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845, at 8 n.29 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

the imports compete with each other and with the domestic like product.[92] Further, only a "reasonable overlap" of competition is required.[93]

B. Competition

Petitioner argues that the Commission should cumulate imports from all four countries.[94] Respondents do not directly dispute that there is competition for the purpose of cumulating imports. Respondents only argue that there is limited substitutability between the subject imports and the domestic product in the context of addressing causation issues.[95]

Based on the information obtained in these preliminary investigations, we determine that there is a reasonable overlap of competition among the imports from the four countries and the domestic like product. Available data indicate that domestically-produced and imported pipe are largely interchangeable, although there may be some niche markets or specialized applications, such as use in highly corrosive environments.[96] The majority of questionnaire responses indicated that quality differences were not a factor in terms of sales.[97] There were confirmed sales and revenues lost by the domestic producers to the subject imports from each of the four countries whose products are under investigation.[98] [99] Moreover, purchasers stated that price is the determining factor when non-price factors are comparable between domestic and import sources[100] and that domestic producers lowered prices to compete with imports.[101] The bulk of the imports from subject countries enter the Gulf coast region of the United States via the ports of Houston or New Orleans.[102] The vast

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[92] See Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989); Granges Metallverken AB v. United States, 716 F. Supp. 17 (Ct. Int'l Trade 1989); Florex v. United States, 705 F. Supp. 582 (Ct. Int'l Trade 1989).

[93] See Wieland Werke, AG v. United States, 718 F. Supp. at 52 (completely overlapping markets are not required); Granges Metallverken AB v. United States, 716 F. Supp. at 21-22 (Commission need not track each sale of individual sub-products and their counterparts to show that all imports compete with all other imports and their domestic like products, but need only find evidence of reasonable overlap in competition); Florex v. United States, 705 F. Supp. at 592 (completely overlapping markets not required).

[94] Petition, Vol. II, at 10; Petitioner's Postconference Brief at 23; see Tr. at 26.

[95] They state that the imports and domestic products are not fungible and that certain seamless carbon and alloy steel pipe is not a commodity. Tr. at 84, 93. Further, they assert that there are imported products that are not produced in the United States. See Respondents' Economic Submission at 25 n.21. They also claim that there are products manufactured by the domestic industry that are not imported from the subject countries, see Respondents' Economic Submission at 25 n.22, that distributors handling certain domestic manufacturers' products are subject to limitations, and that there are other differences such as "Buy American" policies and differences in lead times. Respondents' Economic Submission at 24-26; Tr. at 79, 126-27. Petitioner requires a distributor to be "a true distributor," Tr. at 64, which entails stocking a certain amount of product and being "financially capable of handling his payables," as well as purchasing a certain quantity. Tr. at 64. Buy American policies account for approximately 15 percent of industry purchases. PR at II-44, n.80; CR at I-75 n.80; Tr. at 61, 146.

[96] PR at II-6, II-44; CR at I-8, I-75.

[97] PR at II-44; CR at I-75.

[98] PR at II-47 - II-50; CR at I-86 - I-93.

[99] Commissioner Crawford does not rely on anecdotal evidence of lost sales and revenues in reaching her determinations.

[100] PR at II-48; CR at I-89.

[101] PR at II-49-50; CR at I-91, I-93.

[102] PR at II-19; CR at I-31, Appendix D.

majority of pipe is sold by both domestic manufacturers and importers to unrelated distributors.[103] Imports of three of the five products for which pricing data were provided were present from all subject countries during the period of investigation.[104]

Given that the standard requires only a "reasonable overlap" of competition for the mandatory cumulation provision to apply, we conclude that there is a sufficient degree of competition between imports and the domestic product to require cumulative analysis in these preliminary investigations.

C. Negligible Imports

Section 771 of the Act, as amended, provides that the Commission is not required to cumulate imports in any case in which it determines that imports of the merchandise subject to investigation from a particular country are negligible and have no discernible adverse impact on the domestic industry.[105] In determining whether imports are negligible, the Commission considers all relevant economic factors, including whether:

> (I) the volume and market share of the imports are negligible,
>
> (II) sales transactions involving the imports are isolated and sporadic, and
>
> (III) the domestic market for the like product is price sensitive by reason of the nature of the product, so that a small quantity of imports can result in price suppression or depression.[106]

The legislative history states that the negligible imports exception is to be applied narrowly and that it is not to be used to subvert the purpose and general applicability of the mandatory cumulation provision of the statute.[107] Moreover, the Court of International Trade has directed the Commission "to interpret the negligible import provision in a manner that makes sense in light of the market."[108]

In addition to the three enumerated statutory factors concerning the negligible imports exception, the Commission has considered additional factors, for example: whether imports have been increasing;[109] whether the domestic industry is "already suffering considerable

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[103] PR at II-19, II-43; CR at I-31, I-73.

[104] PR at II-45, Tables 21-25; CR at I-78 - I-82, Tables 23-27.

[105] 19 U.S.C. § 1677(7)(C)(v).

[106] 19 U.S.C. § 1677(7)(C)(v).

[107] See H.R. Rep. No. 40, Part I, 100th Cong., 1st Sess. 131 (1987); H.R. Rep. No. 576, 100th Cong., 2d Sess. 621 (1988). The Ways and Means Committee Report states that the exception is to be applied:

> only in circumstances where it is clear that the imports from that source are so small and so isolated that they could not possibly be having any injurious impact on the U.S. industry. The ITC shall apply this exception with particular care in situations involving fungible products, where a small quantity of low-priced imports can have a very real effect on the market.

H.R. Rep. 40, at 130.

[108] Torrington Co. v . United States, 790 F. Supp. at 1171.

[109] See Certain Steel Wire Rod from Brazil and Japan, Invs. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761, at I-17 (Mar. 1994); Coated Groundwood Paper from Austria, Belgium, Finland, France, Germany, Italy, The Netherlands, Sweden, and The United Kingdom, Invs. Nos. 731-TA-486-494 (continued...)

injury and has long been battered by import price competition"; trends in market penetration; the degree of competition between the imported product and the domestic product; and any relationships of foreign producers to one another and to common importers.[110]

The German respondents argue that the German imports are negligible.[111] They characterize German imports as a small percentage of total domestic market share, in term of volume, in 1991. This figure declined by approximately 50 percent in 1992, and declined further in 1993. The share held by German imports in interim 1994, although small, was substantially larger than the share held in interim 1993.[112]

They also argue that imports from Germany have been sporadic. They base their argument on the fact that the subject products were not imported throughout the entire period of investigation and that one of the five products for which the Commission solicited price data was not imported at all during the period.[113]

Lastly, they assert that the domestic market is not price sensitive. They point to the trend regarding the average unit values of German imports, especially in the interim 1994 period, which they claim shows that any harm allegedly caused by the subject imports cannot be correlated with imports from Germany.[114]

We determine that the subject German imports are not negligible. While there is no numerical standard for negligibility,[115] their market share in the calendar years investigated, while declining, is larger than that which the Commission has generally considered to be negligible when making past determinations[116] and increased between the interim periods. Further, it is not clear that imports from Germany were isolated or sporadic, given that the Commission obtained data for these imports with respect to four of the five pricing categories, and the imports were present in 29 of the 65 quarters for which pricing data were gathered.[117] In addition, there is some indication in these preliminary investigations that the seamless carbon and alloy steel pipe market is price sensitive.[118]

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[109] (...continued)
(Preliminary), USITC Pub. 2359, at 31 (Feb. 1991); PET Film, Sheet and Strip from Japan, The Republic of Korea and Taiwan, Invs. Nos. 731-TA-458-460 (Preliminary), USITC Pub. 2292, at 20 n.69 (June 1990).

[110] See, e.g., Certain Steel Wire Rod from Brazil and Japan, USITC Pub. 2761, at I-17 - I-18 (considering relationship between a foreign producer and another major exporter); Certain Flat-Rolled Carbon Steel Products, USITC Pub. 2664, Vol. I, at 49 ("the Commission has considered upward trends in imports as a reason not to exercise its discretion to find imports are negligible. The Commission has also examined the degree of competition between the imported product and the domestic product."); Certain Stainless Steel Butt-Weld Pipe Fittings from Korea and Taiwan, Invs. Nos. 731-TA-563-564 (Preliminary), USITC Pub. 2534, at 16 n.61 (July 1992) (listing the factors cited in the text).

[111] Postconference Brief of Mannesmann at 2, 8.

[112] Postconference Brief of Mannesmann at 10.

[113] Postconference Brief of Mannesmann at 12-13.

[114] Postconference Brief of Mannesmann at 13-14.

[115] See, e.g., Certain Carbon Steel Butt-Weld Pipe Fittings from France, India, Israel, Malaysia, The Republic of Korea, Thailand, The United Kingdom, and Venezuela, USITC Pub. 2767, at I-17 n.104 (emphasizing "no bright lines" for negligibility determinations).

[116] See, e.g., Stainless Steel Bar from Brazil, India, Italy, Japan, and Spain, USITC Pub. 2734, at I-18 (no finding of negligibility when smallest market shares were above one percent and two percent).

[117] PR at II-45, Tables 21-25; CR at I-78 - I-82, Tables 23-27.

[118] See PR at II-48; CR at I-89 - I-90 (purchasers reporting that once specifications are met, price becomes a primary factor).

Because we find that there is a reasonable overlap of competition among the imports and between the imports and the domestic like product, and because we find that the imports from Germany are not negligible, we assess the cumulative effect of the imports in determining whether there is a reasonable indication of material injury by reason of the allegedly subsidized and LTFV imports.

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY SUBSIDIZED AND LTFV IMPORTS

A. Legal Standard

In preliminary antidumping duty and countervailing investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[119] The Commission must consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers of the like product, but only in the context of U.S. production operations.[120]

Although the Commission may consider alternative causes of injury to the industry other than LTFV imports, it is not to weigh causes.[121] [122] [123] [124] For the reasons discussed

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[119] 19 U.S.C. §§ 1671b(a), 1673b(a).

[120] 19 U.S.C. § 1677(7)(B)(i).

[121] See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

> [T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry. S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[122] For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772, at I-14 n.68 (May 1994).

[123] Vice Chairman Nuzum and Commissioner Rohr further note that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." See, e.g., Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. at 1101.

[124] Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly subsidized and LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of allegedly subsidized and LTFV imports, not by reason of allegedly subsidized and LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, at 75. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep.. No. 317, at 46-47. The Commission is not to determine if the allegedly subsidized and LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, at 74. Rather, it is to determine whether any injury "by reason of" the allegedly subsidized and LTFV imports is material. That is, the Commission must determine if the subject imports are causing (continued...)

below, we find that there is a reasonable indication that the domestic industry producing certain seamless carbon and alloy standard, line and pressure steel pipe is materially injured by reason of allegedly subsidized and LTFV imports from Argentina, Brazil, Germany, and Italy.

B. Volume of Subject Imports

The volume of the allegedly subsidized and LTFV imports is not insignificant. However, the trend in the volume shows little evidence of adverse effects to the domestic industry.[125] The volume and value of the subject imports decreased irregularly over the period of investigation: from less than 70,000 short tons to less than 60,000 short tons by quantity, during 1991-93, and from less than $50 million to less than $35 million in terms of value.[126] The subject imports' market share followed the same trend, both in terms of volume and value: from below 35 percent in 1991 to below 30 percent in 1993 by quantity, and from below 30 percent to below 25 percent by value.[127] Import volumes and market share were again lower in interim 1994 than in interim 1993.

U.S. producers' market share, in contrast, increased between 1991 and 1993, from 46.4 percent to 64.1, percent and was only slightly lower in interim 1994 (75.2 percent) when compared with interim 1993 (76.6 percent), with respect to volume. The same trend was evidenced in the value of the domestic producers' market share: increasing from 50.4 percent in 1991 to 65.8 percent in 1993, and decreasing from 77.2 percent in interim 1993 to 74.6 percent in interim 1994.[128] In spite of the gains achieved by the domestic industry, import market penetration was quite significant throughout the period of investigation, and remained so even in interim 1994.[129]

C. Effects of Allegedly Subsidized and LTFV Imports on Domestic Prices

The evidence collected in these preliminary investigations indicates that there have been many instances of underselling by the subject imports notwithstanding the volume discounts granted by the domestic producers.[130] [131] In fact, underselling of the domestic

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[124] (...continued)
material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

[125] Commissioner Crawford does not join in this sentence.

[126] PR at II-38, Table 18; CR at I-65, Table 20. The actual data pertaining to imports are confidential.

[127] PR at II-42, Table 20; CR at I-72, Table 22.

[128] PR at II-42, Table 20; CR at I-72, Table 22.

[129] PR at II-42, Table 20; CR at I-72, Table 22.

[130] While four of the five domestic producers providing information publish price lists, they indicated that these lists serve only as a basis for discount policies or as a guideline for negotiating prices based on prevailing market conditions. Two producers reported consistently providing volume discounts in excess of the standard five percent on their sales during the period of investigation. One producer reported providing volume discounts reaching 20 percent off list price in order to maintain a customer base, and increased discounts from five to nearly 20 percent due to price pressure from the subject imports. Another maintains a "foreign fighters" pricing program that offers distributors in the Gulf Coast region a sizable discount. PR at II-43, II-47 n.91; CR at I-73 - I-74, I-86 n.91.

products by the subject imports was prevalent throughout the period of investigation, occurring in 83 of 139 instances for which price comparisons were possible.[132] Underselling was more predominant for the smaller diameter products, especially products 1 and 2, and appears to have contributed to the general decrease in prices.[133] The degree of underselling for those products also increased towards the end of the period of investigation.[134] For all products, the magnitude of overselling was generally less than the magnitude of underselling.[135] We find this underselling to be significant.

Additional evidence of adverse price effects of subject imports can be found in the fact that domestic prices for all products trended downward during the period of investigation, while import prices followed the same pattern. We note that the prices of the imports for products 1 and 2 declined at a steeper rate than did the domestic prices. This pattern suggests that the subject imports depressed domestic prices, to a significant degree, during the period examined.[136] [137]

D. Impact on the Domestic Industry

Information on the record in these preliminary investigations indicates that the significant underselling and price depressing effects of the subject imports had an adverse impact on the domestic industry, as reflected in the generally declining prices for the domestic product and the industry's profits and operating income, especially when comparing the interim periods. The most recent information also indicates a loss of market share by the domestic industry, notwithstanding the increase in the quantity and value of the domestic producers' shipments during most of the period. Irrespective of some overall volume increases gained by the domestic industry, the adverse price effects erased the benefits gained

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[131] (...continued)

[131] Commissioner Crawford rarely gives much weight to evidence of underselling since it usually reflects some combination of differences in quality, other nonprice factors, or fluctuations in the market during the period in which price comparisons were sought.

[132] PR at II-46; CR at I-83.

[133] See PR at II-45, Tables 21-25; CR at I-78, Table 23 - I-82, Table 27; I-83.

[134] PR at II-45, Tables 21-25; CR at I-78, Table 23 - I-82, Table 27.

[135] PR at II-45, Tables 21-25; CR at I-78, Table 23 - I-82, Table 27. The majority of the imports' margins of underselling were over 15 percent, while the margins of overselling were predominantly less than 15 percent. PR at II-45, Tables 21-25; CR at I-78, Table 23 - I-82, Table 27.

[136] There is some evidence in the record that decreasing demand, declining crude oil prices and the restructuring of the industry contributed to lower prices. See PR at II-43; CR at I-73. During any final investigations, we intend to explore further these and any other reasons for the decreasing prices.

[137] To analyze the effect of the allegedly subsidized and LTFV imports on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were subsidized and dumped with what domestic prices would have been if the imports had been fairly priced. In making this evaluation she considers a number of factors relating to the industry and the nature of the products. These factors include the degree of substitutability between subject imports and the domestic like product, the presence of fairly traded imports, and the capacity utilization in the domestic industry. Domestic seamless pipe product and the subject imports are good substitutes. Therefore, purchasers likely would have reduced their purchases of the subject imports and bought more domestic seamless pipe had the subject imports' prices been higher. In a domestic market characterized by significant excess capacity and competition among several domestic producers and between the domestic product and fairly traded imports, domestic producers would not have been able to sustain significant price increases. Accordingly, Commissioner Crawford finds that the subject imports had no significant price effects on the domestic industry.

from these increases and subsequently adversely impacted on the domestic producers' financial performance. Moreover, we were able to confirm lost sales and revenues by the domestic industry to the subject imports,[138] which provides further support for our finding of an adverse impact by the subject imports.[139] [140]

CONCLUSION

In light of the adverse price effects of the subject imports and the adverse impact on the domestic industry's financial condition, we find that there is a reasonable indication of material injury to the domestic industry producing certain seamless carbon and alloy standard, line and pressure steel pipe by reason of allegedly subsidized and LTFV imports from Argentina, Brazil, Germany, and Italy.[141]

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[138] PR at II-47 - II-50; CR at I-86 - I-93.

[139] In her analysis of material injury, Commissioner Crawford determines whether the price, sales and revenue effects of the subsidies and dumping, either separately or together, demonstrate that the domestic industry would have been materially better off if the subject imports had been priced fairly. If the subject imports had not been subsidized or dumped, it is likely that at least a substantial majority of the subject imports would have been priced out of the domestic market. Because the domestic product and the subject imports are good substitutes, demand for the domestic product would have increased significantly. However, significant excess domestic production capacity and competition among domestic producers and between the domestic product and fairly traded imports would have prevented significant price increases.

The domestic industry would have been able to increase significantly the quantity of its production and sales, and thus its revenues, if the allegedly subsidized and LTFV imports had been priced fairly. Therefore, the domestic industry would have been materially better off if the subject imports had been fairly priced. Accordingly, Commissioner Crawford concludes that there is a reasonable indication of material injury to the domestic industry by reason of the allegedly subsidized and LTFV imports from Argentina, Brazil, Germany, and Italy.

[140] Chairman Watson finds that the subject imports have had a materially adverse impact on the domestic industry, as reflected in their deteriorating financial indicators. He notes that despite increased sales volumes and revenues and decreased costs of production, gross profits and operating income declined primarily due to declines in unit sales prices and export shipments.

[141] Although we have determined that there is a reasonable indication of material injury to the domestic industry by reason of the subject imports, we note that the issue of the threat of material injury may arise during any final investigations. Accordingly, we shall then request the Brazilian and German respondents to estimate their capacity to produce certain seamless pipe.

PART II

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

On June 23, 1994, a petition was filed with the U.S. International Trade Commission ("Commission") and the U.S. Department of Commerce ("Commerce") by counsel for the Gulf States Tube Division of Quanex Corp. ("Quanex"), Rosenberg, TX, alleging that an industry in the United States is materially injured and is threatened with further material injury by reason of imports from Italy of certain seamless carbon and alloy steel standard, line, and pressure pipe ("certain seamless pipe")[1] that are alleged to be subsidized by the Government of Italy and by reason of imports from Argentina, Brazil, Germany, and Italy of such pipe that are alleged to be sold in the United States at less than fair value ("LTFV").

Accordingly, effective June 23, 1994, the Commission instituted countervailing duty investigation No. 701-TA-362 (Preliminary) and antidumping investigations Nos. 731-TA-707, 708, 709, and 710 (Preliminary) under sections 703(a) and 733(a), respectively, of the Tariff Act of 1930 (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

The statute directs the Commission to make its preliminary determination within 45 days after receipt of a petition or, in these investigations, by August 8, 1994. Notice of the institution of the investigations was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 30, 1994 (59 F.R. 33780). Commerce published its notice of initiation in the *Federal Register* of July 20, 1994 (59 F.R. 37025).[2] The Commission held a public conference in Washington, DC, on July 14, 1994, at which time all interested parties were allowed to present information and data for consideration by the Commission.[3] A summary of data collected in the investigations is presented in appendix C.

PREVIOUS COMMISSION INVESTIGATIONS

Prior to the current investigations, there have not been any Commission investigations concerning seamless carbon steel pipe. However, there have been several investigations that included seamless alloy steel pipes and tubes, including stainless steel.[4] Those investigations are identified in the following tabulation:

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[1] Certain seamless pipe consist only of circular pipe not more than 114.3 mm (4.5 inches) in outside diameter (OD). The included alloy grades consist of heat-resisting steel and "other" alloy steel, but stainless steel is excluded. A more complete definition of the product subject to these investigations is presented in the section of this report entitled "Description and Uses."

Imports are currently reported under *Harmonized Tariff Schedule of the United States (HTS)* statistical reporting numbers 7304.10.1020, 7304.10.5020, 7304.31.6050, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.51.5005, 7304.51.5060, 7304.59.6000, 7304.59.8010, 7304.59.8015, 7304.59.8020, and 7304.59.8025.

[2] Copies of the Commission's and Commerce's *Federal Register* notices are presented in app. A.

[3] A list of the participants in the conference is presented in app. B.

[4] Alloy steels, other than stainless, are included within the scope of these investigations. Domestic production and imports of seamless alloy steel pipe are small in comparison to seamless carbon steel production and imports.

Country	Investigation No.	Determination	Publication date
Japan	731-TA-87 (Preliminary)	Affirmative[1]	March 1982
Japan	731-TA-87 (Final)	Affirmative	February 1983
Sweden	731-TA-354 (Final)	Affirmative	November 1987
Sweden	701-TA-281 (Final)	Negative	April 1987

[1] The Commission made an affirmative determination with respect to seamless heat-resisting and seamless stainless pipes and tubes, and a negative determination with respect to seamless "other alloy" pipes and tubes.

In addition, the Commission has conducted numerous investigations concerning or including circular, welded steel pipes and tubes.

THE PRODUCTS

Description and Uses

Types of Pipes and Tubes[5]

Steel pipes and tubes are made in circular, rectangular, or other cross sections[6] and can be divided into two general categories according to the method of manufacture--welded or seamless.[7] Each category can be further subdivided by grades of steel--namely, carbon or alloy. Included in alloy are heat-resisting, stainless, and "other" alloy grades.[8] In addition, steel pipes and tubes can be categorized by end use. The American Iron and Steel Institute (AISI) has defined six such end-use categories: standard pipe, line pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods (OCTG).[9]

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[5] Historically, "pipes" referred to products that were standardized as to size and wall thickness and "tubes" referred to products produced to customer specifications. Lynn Branan, General Manager of Gulf States, testified that pipe, which generally is used to convey substances, is sized to an inside diameter (or ID) because it is that dimension which controls the flow of fluid or gas through the pipe. Its OD is "nominal." In contrast, tubing is measured precisely to an OD, using decimal sizing. Transcript of the conference (TR), pp. 44-45. Any tubing can be substituted for pipe if the user requests that it be made to a pipe size. Testimony by counsel for the petitioner, TR, p. 46. (Staff notes that substituting tubing for pipe may not be cost effective.) However, the usage of these terms is no longer precise and the terms are, along with "tubular products," sometimes used interchangeably.

[6] Virtually all seamless pipe is circular.

[7] Seamless pipes and tubes are more commonly used in demanding applications that require exceptional strength, high-pressure containment, and a great degree of reliability. Welded pipes and tubes more commonly are used to transport liquids at or near atmospheric pressure. Petitioner states that "For the vast majority of applications where seamless pipe [and not welded] is used, it is specifically designated in the engineering specifications of the end user." Postconference brief, p. 39. Seamless pipe and welded pipe are made on separate production equipment.

[8] Seamless pipes and tubes are produced using virtually all of the carbon and alloy grades of steel, including stainless steel. However, none of the producers of certain seamless pipe manufacture stainless seamless pipe. Petitioner's postconference brief, p. 43. (The conventional rotary-piercing mills cannot produce a stainless product, ***.) Stainless pipe is used in highly corrosive atmospheres and in automotive systems. Staff visit to Quanex, July 12, 1994.

[9] The standard, line, and pressure pipes subject to these investigations are generally intended to convey substances and are typically tested and rated for their ability to withstand internal hydrostatic pressure. Structural pipe and tubing is used for construction and load-bearing purposes. (There are, however, only small amounts of seamless structural pipe.) Seamless mechanical tubing is typically a custom-designed product

(continued...)

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM); the American Society of Mechanical Engineers (ASME); and the American Petroleum Institute (API). Comparable organizations in England, Germany, Japan, Russia, and other countries also have developed standard specifications for steel pipes and tubes.[10]

Definition of Products Subject to Investigation

The imported products subject to these investigations are seamless carbon and alloy (other than stainless) steel pipes, of circular cross-section not more than 114.3mm (4.5 inches) in OD, regardless of wall thickness, manufacturing process (hot-finished or cold-drawn), end finish (plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish. These pipes are commonly known as standard pipe, line pipe, or pressure pipe, depending upon the application. They may also be used in structural applications. The subject product was further defined by Commerce (based upon a clarification of language included in the petition) with respect to a series of "specifications, characteristics, and uses." These additional defining criteria are, in part, as follows:[11]

> Seamless pressure pipe is intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gasses in industrial piping systems. It may carry these substances at elevated pressure and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting ASTM standard A-106 ("A-106") may be used in temperatures of up to 1000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipe made to ASTM standard A-335 ("A-335") must be used if temperature and stress levels exceed those allowed for A-106 and ASME codes. Seamless pressure pipes sold in the United States are commonly produced to A-106.
>
> Seamless standard pipe is most commonly produced to the ASTM A-53 ("A-53") specification and is generally not intended for high temperature service. It is intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other liquids and gasses in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperature but must not exceed relevant ASME code requirements.
>
> Seamless line pipe is intended for the conveyance of oil and natural gas and other fluids in pipe lines. Seamless line pipe is produced to the API 5L specification.

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[9] (...continued)
employed within the automotive industry and by equipment manufacturers. OCTG are steel pipes and tubes used in the drilling of oil and gas wells and in conveying oil and gas to ground level. In addition, there are other seamless "pressure" products such as boiler tubes, heat-exchanger tubing, and condensers. The purpose of boiler tubing is to produce steam; heat-exchanger tubing is installed into equipment for heating or cooling; condensers transform a material from a liquid to a vapor phase.

[10] The specifications met by a pipe product are commonly marked on each piece of pipe and referred to as a "stencil."

[11] The full statement of the scope and, thus, of the products subject to investigation is contained in Commerce's notice of initiation published in the *Federal Register* of July 20, 1994 (59 F.R. 37025) and presented in app. A. That language should be understood to be incorporated by this reference into the Commission's description of the products it reviewed as part of these investigations.

> Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53 and API 5L specifications. Such triple certification of pipes is common because all pipes meeting the stringent A-106 specification necessarily meet the API 5L and ASTM A-53 specifications. Pipes meeting the API 5L specification necessarily meet the ASTM A-53 specification. However, pipes meeting the A-53 or API 5L specifications do not necessarily meet the A-106 specification. To avoid maintaining separate production runs and separate inventories, manufacturers triple certify the pipes. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers.

Commerce also stated that "Standard, line and pressure applications are defining characteristics of the scope of these investigations. Therefore, seamless pipes meeting the physical description above, but not produced to the A-106, A-53, or API 5L standards shall be covered if used in an A-106, A-335, A-53, or API 5L application."[12] (59 F.R. 37025, July 20, 1994.)

Certain seamless pipe is coated with a black lacquer or, to a lesser extent, painted in order to retard rust. A small amount is galvanized with a rust-resistant zinc. Pipe that is to be used as line pipe is almost always finished with a plain end and joined in the field by welding. Pressure pipe may be finished with plain or beveled ends or may be threaded and coupled. (However, the threading and coupling is typically done by intermediate distributors or by the end user. It adds minimal value.)

Domestically produced and imported certain seamless pipe are largely interchangeable, although there may be some niche markets or specialized applications (e.g., use in highly corrosive environments).[13]

Production Processes

Certain seamless pipe is manufactured by one of two "hot" processes that form a central cavity in solid steel stock. Hot-finished pipe may be further cold drawn into different sizes.

Hot-Finishing Processes

The central cavity may be formed either by the rotary-piercing or the hot-extrusion process. Most seamless pipes and tubes are produced through the rotary-piercing method, the more traditional method for producing such material. The production methods are further described below:

> 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.

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[12] Specifically excluded from Commerce's investigations are boiler tubing, mechanical tubing and OCTG except when used in a standard, line, or pressure application. Also excluded from these investigations are redraw hollows for cold-drawing when used in the production of cold-drawn pipe or tube. (59 F.R. 37025, July 20, 1994.)

[13] Postconference brief submitted by counsel for Dalmine, app. 1, p. 2.

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 OD.[14] See figure 1.

The 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.[15] See figure 2.

Because of the lower costs associated with it, the rotary-piercing method reportedly is the preferred method of producing most grades of seamless pipes and tubes. However, the more expensive extrusion method is preferred for product that has "poor hot-working properties." Such products include those with high chromium content (especially stainless steel) and tubular products with small diameters.

The petitioner produces certain seamless pipe using the extrusion process.[16] [17] In contrast, other U.S. manufacturers and producers in Argentina, Brazil, Germany, and Italy now use the rotary-piercing and rolling method.

Cold-Drawing and Other Finishing Operations

After a pipe or tube is pierced and rolled or extruded, the semi-finished product is then subjected to certain finishing operations which may include straightening, cutting, inspection, and testing. The product then can be sold either as is or may undergo additional operations before being sold. These additional operations include heat treating, cold drawing, polishing, rough turning, honing, testing, pickling, threading, cold pilgering, and other special treatments. In general, the higher the alloy content and the more specialized the product, the greater are the number of required additional processes.

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[14] American Iron & Steel Institute (AISI), Steel Products Manual: Steel Specialty Tubular Products, Oct. 1980, p. 16.

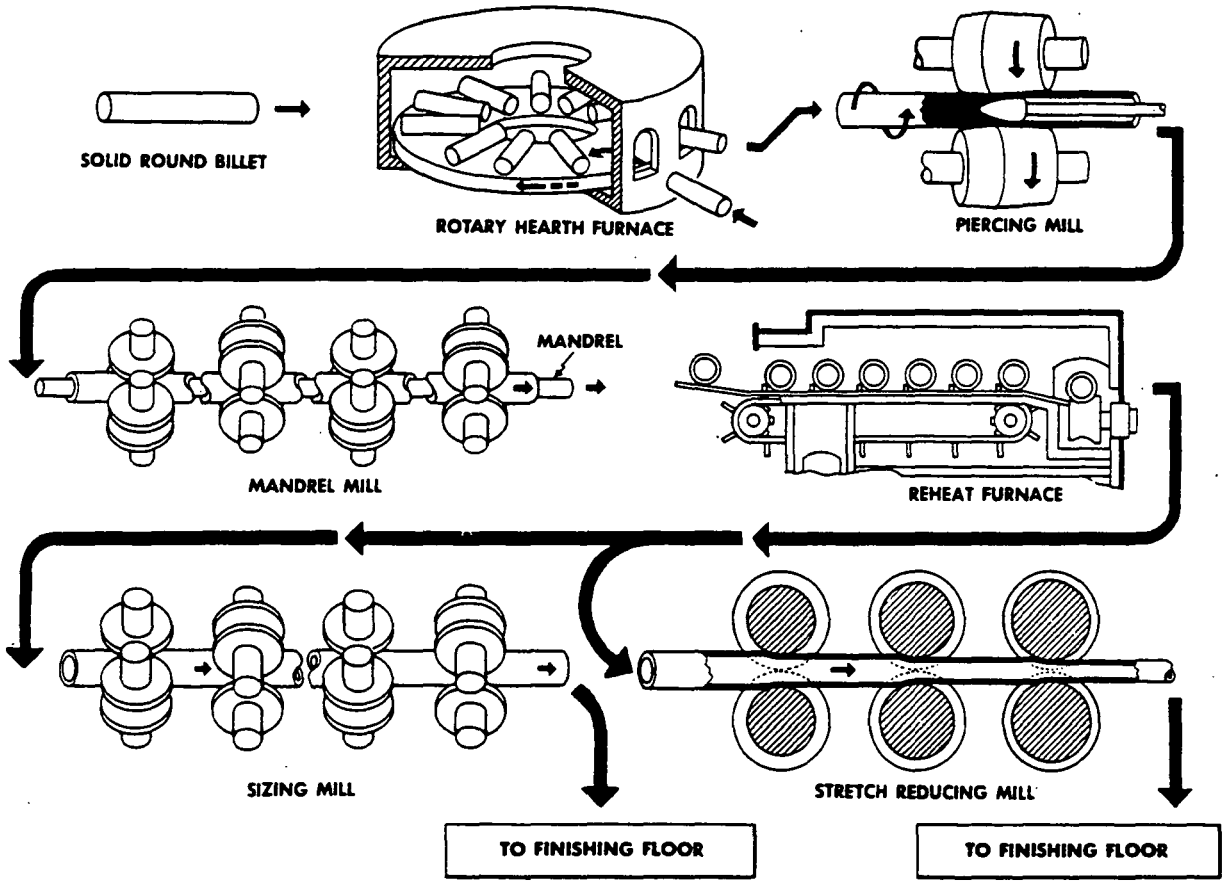
[15] Ibid, p. 18.

[16] Lynn Branan, general manager for the Gulf States Tube Division of Quanex, testified that their use of the extrusion process gives them a significant competitive advantage in their size range over producers who use rotary piercing mills. Use of the extrusion process reportedly reduces raw material costs and its flexibility eases changeovers from size to size. TR, p. 25.

Mannesmann disagrees, stating that Quanex' production equipment is outmoded and that its competitiveness is, accordingly, diminished. Postconference brief, pp. 28-31.

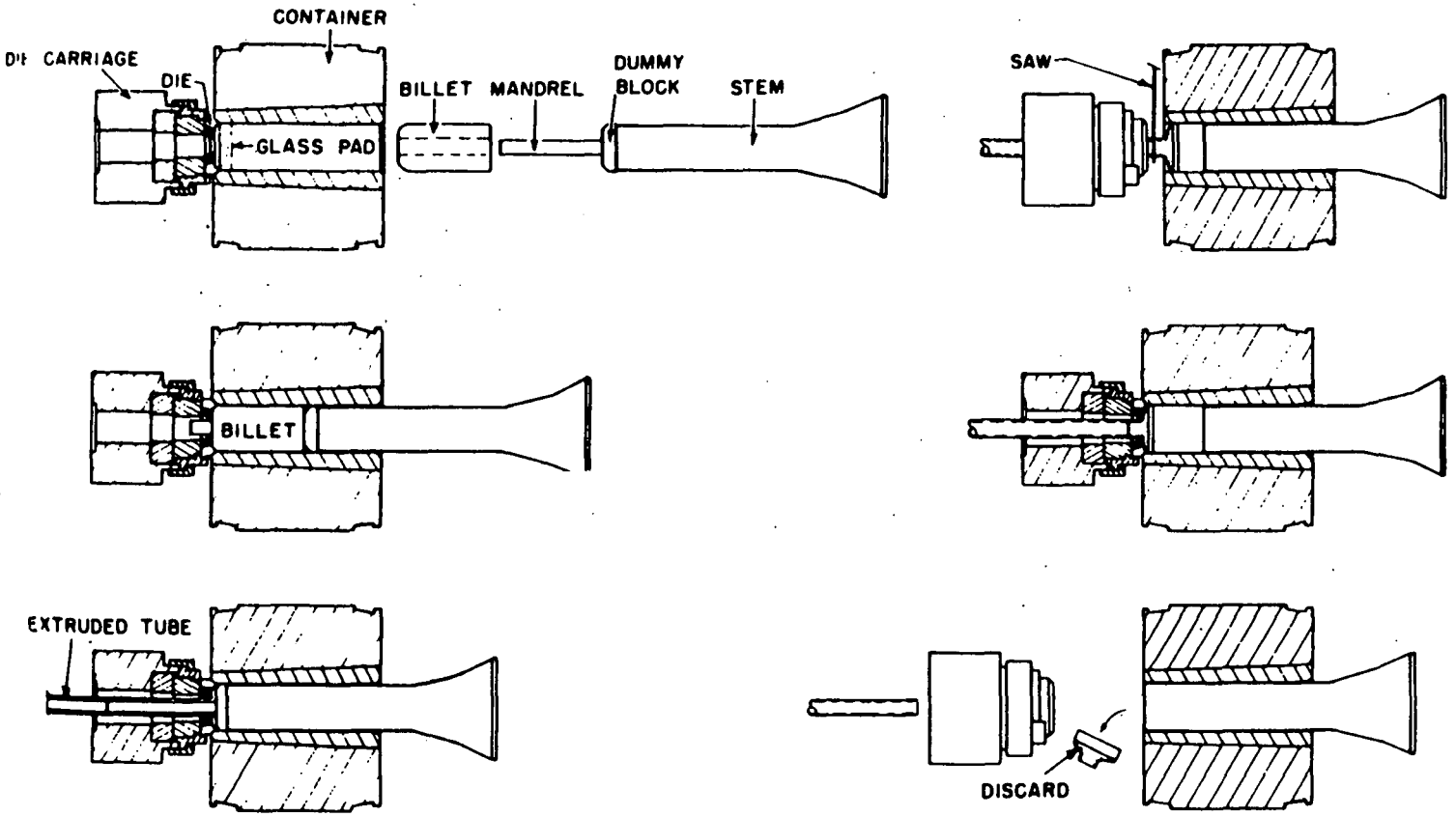
[17] On a tonnage basis, more than *** percent of all U.S.-produced certain seamless pipe is manufactured in rotary piercing mills.

Figure 1
Sequence of operations used to produce seamless pipe and tube products, by piercing and rolling



Source: American Iron and Steel Institute, Steel Products Manual, Steel Specialty Tubular Products, October 1980, p. 18.

Figure 2
Cycle of operations in the production of an extruded tubular section



Source: American Iron and Steel Institute, Steel Products Manual, Steel Specialty Tubular Products, October 1980, p. 19.

Cold drawing is the finishing process most commonly used. The term describes the process in which tubular products are drawn through a cold reduction die and over a mandrel or plug or a full length bar or rod (figure 3). Cold drawing often is used (especially for mechanical pipe) to produce smoother surfaces and closer dimensional accuracy, to modify mechanical properties, or to produce special shapes other than round.[18] However, the major reason for cold drawing the subject product is to draw it into diameters smaller than those that can be hot-finished. Pipe that is to be cold drawn is referred to as a "redraw hollow."

The petitioner, which uses an extrusion process, testified that it must cold draw pipe sized below 1 inch OD.[19] Cold drawing is a labor-intensive process that adds a significant amount of value to the finished product. In contrast, both Mannesmannröhren-Werke AG (a German manufacturer) and Dalmine S.p.A. (an Italian manufacturer) can produce hot-finished pipe as small as 1/2 inch OD without having to cold draw.[20] Reportedly, there is no quality difference between hot-finished pipe and that which is cold drawn to a specified size.[21]

U.S. Tariff Treatment

The imported seamless pipes that are subject to these investigations are classified in the following subheadings of the *HTS* and have the below-listed column 1-general rates of duty (in percent ad valorem):

Item	Duty
7304.10.10	8.0
7304.10.50	7.5
7304.31.60	8.0
7304.39.00	8.0
7304.51.50	7.5
7304.59.60	7.6
7304.59.80	7.5

These *HTS* subheadings are "basket" provisions that encompass large quantities of nonsubject seamless mechanical pipe and redraw hollows. They are organized by enduse (for subject product, primarily "line" pipe and "other") and by physical dimension. The above-described specification systems are not reflected in *HTS* nomenclature. For these subheadings, there is no program under which special tariff treatment is provided for the subject countries.

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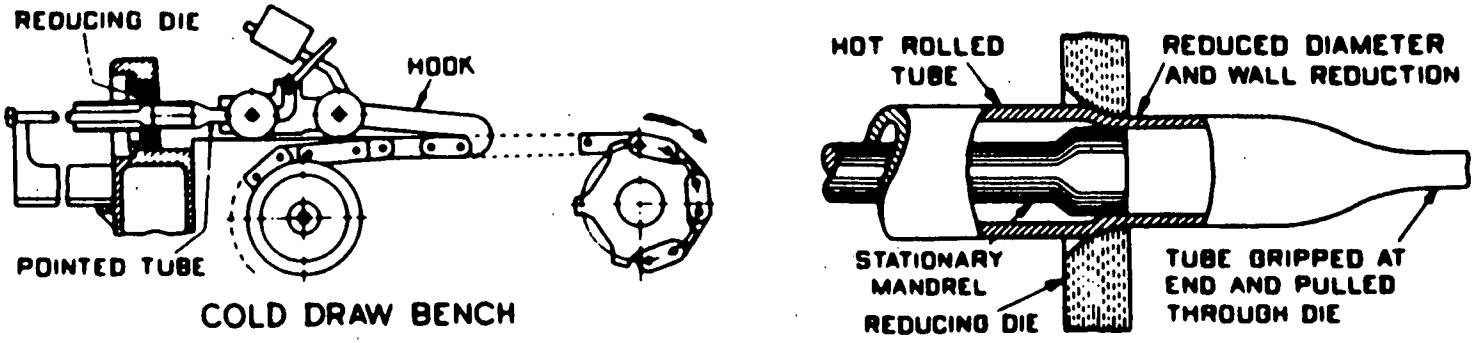
[18] AISI, op. cit., p. 25.

[19] TR, p. 23. Petitioner further testified that they are working on a proposal to install a stretch-reduction mill and a new finishing mill that will enable them to make hot-finished products in smaller sizes. TR, p. 29. Not considering ***, the other domestic manufacturers do not manufacture in the smaller size ranges using either hot-finishing or cold-drawing production techniques.

[20] Dalmine's postconference brief (exhibit 1, p. 1) states that "Cold-drawing is an expensive process that also requires the further handling of the product. Eliminating this stage results in cost savings of approximately 50% or more."

[21] TR, p. 47. However, Dalmine states that while its product is "closely similar to the cold-finished product that is produced in the same sizes by U.S. manufacturers, Dalmine believes that its hot-finishing process imparts special surface texture properties that improve the coatability of its product." Postconference brief, exhibit 1, p. 2.

Figure 3
Diagram of the cold drawing process



Source: American Iron and Steel Institute, Steel Products Manual, Steel Specialty Tubular Products, October 1980, p. 25.

THE NATURE AND EXTENT OF ALLEGED SUBSIDIES AND ALLEGED SALES AT LTFV

Alleged Subsidies by the Government of Italy

Petitioner alleges that Dalmine S.p.A. ("Dalmine"), the Italian company believed to have produced all of the subject pipe exported to the United States from Italy during the last 12 months, received a series of unfair subsidies. Petitioner bases some of its allegations upon a review of Dalmine's annual reports. The unfair benefits include the items listed below.

1. The Government of Italy's provision of equity to Dalmine when the company was unequityworthy. The countervailable subsidy from equity infusions was calculated to be 3.66 percent (ad valorem amount).

2. Dalmine's receipt of countervailable loans and interest subsidies pursuant to European and Italian programs when it was uncreditworthy.

3. Dalmine's receipt of benefits pursuant to programs that Commerce has found to be countervailable. Specifically, petitioner alleges that Dalmine received benefits under Law 675/77, which created the framework for planned intervention by the Government of Italy in the Italian economy. The countervailable subsidies from subsidized Law 675/77 loans and other Law 675/77 benefits were calculated to be 0.6 percent and 0.06 percent, respectively. Dalmine also is alleged to have received benefits under Law 193/84, which provides subsidies for rationalization of productive assets, in the amount of 0.58 percent.

4. Dalmine's likely receipt of benefits pursuant to programs that Commerce has found to be countervailable. These programs include the European Coal and Steel Community programs, which offer industrial reconversion loans with interest rebates or at below market rates, and Italian Government programs for debt forgiveness and training. Petitioner estimated the training subsidy yielded a 0.12 percent benefit.

5. Dalmine's receipt (or likely receipt) of subsidies pursuant to programs which Commerce has not yet determined are countervailable. These programs include the Law 796/76 exchange rate guarantee program and preferential export financing under Law 227/77.

Commerce included the following programs in the investigation it initiated concerning the subsidization of subject product in Italy:

1. 1988/89 equity infusion
2. Subsidized loans under Law 675/77
3. Grants under Law 675/77
4. Retraining grants
5. Preferential export financing under Law 227/77
6. Exchange rate guarantee program under Law 796/76
7. European Coal and Steel Community loans and interest rates.

It did not include the following programs alleged to be benefiting producers of subject product in Italy:[22]

[22] 59 F.R. 37028 (July 20, 1994).

1. "Indirect" equity infusion
2. Secured and unsecured loans from Italian banks
3. Debt forgiveness in connection with the 1981 and 1988 restructuring plans
4. European investment bank loans
5. European regional development fund subsidies
6. Early retirement under law 193/84.

Alleged Sales at LTFV from Argentina, Brazil, Germany, and Italy

In order to obtain the estimated dumping margins for certain seamless pipe imported from subject countries, petitioner compared the U.S. price (USP) of covered products with their foreign market value (FMV).

1. Argentina. Petitioner based FMV on adjusted home market prices obtained from a distributor for certain seamless pipe manufactured by Siderca S.A.I.C. ("Siderca"). The prices were adjusted for, among other items, distributor markup and delivery costs. USP was based on adjusted distributor pricing in the United States. The LTFV margins were calculated for six sample products for which comparisons were possible.

2. Brazil. Petitioner based FMV on an adjusted home market price quote for seamless ASTM A-106 pipe manufactured by Mannesmann S.A. USP was based on adjusted U.S. sales prices for Mannesmann S.A.'s A-106 pipe. The LTFV margins were calculated for four sample products which matched to products sold in Brazil.

3. Germany. Although petitioner believes that a viable home market for the certain seamless pipe exists in Germany, they were unable to obtain home market prices. Petitioner was further unable to base FMV upon constructed value since the foreign manufacturer, Mannesmannröhren-Werke ("MRW"), uses a substantially different production process than the petitioner. Instead, petitioner based FMV on adjusted third country pricing, using Great Britain as a surrogate. Prices for MRW-produced subject pressure pipe certified to A-106 and subject line pipe certified to API 5L were obtained from three different distributors. Because of the common European market and the absence of external barriers between member countries, petitioner believes that these prices are representative of market prices in Germany. Petitioner based USP on the adjusted U.S. sales prices for MRW's A-106 pipe. The LTFV margins were calculated from 7 of 12 price comparisons. (The remaining five comparisons yielded fair value sales.)

4. Italy. Petitioner based FMV on the adjusted prices of subject pressure pipe certified to A-106 that was produced by Dalmine and sold in Italy by a distributor of Dalmine products. USP was based on the adjusted U.S. sales prices for Dalmine's A-106 pipe. The LTFV margins were calculated from two of four sample products. (The other two comparisons produced fair value sales.)

Petitioner's estimated LTFV margins are as follows:

Source	Range of LTFV margins
Argentina	67.57 percent to 108.13 percent
Brazil	79.83 percent to 130.08 percent
Germany	11.67 percent to 57.72 percent
Italy	4.57 percent to 11.26 percent.

When initiating its antidumping duty investigations, Commerce did not make any adjustments to the calculations provided by the petitioner. (59 F.R. 37028 (July 20, 1994).

EXPLANATION OF THE DATA PRESENTED IN THIS REPORT

Adjustment to Definition of Subject Product Following Initiation by Commerce

Commerce's scope of its investigations, and thus the definition of subject pipe, was presented at the beginning of the section of this report entitled "Description and Uses." Its scope definition is that contained in the petition, with only slight clarifications or changes.[23] The language is somewhat complex in it that uses multiple criteria for defining pipe as "subject." Namely, all seamless pipe that meets A-106, A-335, A-53, or API 5L specifications is included, as well as pipe not so certified that is otherwise used in standard, line, or pressure pipe applications.[24]

Presentation of Data for Different Types of Pipe

Pipes can be classified into "types" using two criteria: specification (or stencil) or actual end use. However, subject seamless pipe commonly is sold through a sometimes multilayered distribution chain with only a small amount sold by the manufacturer or importer directly to end users. Accordingly, many firms (especially the larger suppliers) reported they cannot identify the use to which the pipe was eventually put without tracing individual sales through the distribution chain.[25] For this reason, staff requested that firms categorize pipe into "type" using its stencil, reporting any multi-stenciled pipe as pressure pipe and any dual-stenciled standard/line pipe as line pipe.[26]

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[23] ***. The Commission's definition of certain seamless pipe used for its questionnaires was based on the petition. That definition stated that "All seamless pipe produced to the ASTM A-106, ASTM A-335, ASTM A-53, and API 5L specifications, regardless of application, is included in the subject product." ***.

One difference between the petition and Commerce's scope concerns structural pipe. Commerce's scope includes all seamless pipe used in structural applications (if it otherwise meets the physical characteristics), regardless of how it is certified. (***.) In contrast, the petition limited the inclusion of structural pipe to that pipe which met any of a rather large number of specifications listed in its petition.

Both parties agree that there is a limited amount of seamless pipe that is used for structural applications. Hand rails on off-shore oil rigs may require seamless pipe due to higher safety requirements. (Salt air can more easily degrade a welded pipe.) Some industrial facilities prohibit the use of any welded pipe in their facility, even for structural applications. Staff conversations with counsel for petitioner (June 24, 1994) and Seth Kaplan, an economist representing respondents (July 15, 1994).

[24] Petitioner alleges that circumvention may occur if end use is not part of any order that results from these investigations. In its initiation notice Commerce states it "is including end-use in the scope for purposes of initiation; however, we intend to consider its appropriateness further and we invite comments from interested parties ... ." Commerce also requested comments from parties on whether the products within the scope of these investigations constitute more than one class or kind of merchandise. (59 F.R. 37025, July 20, 1994.)

[25] In its postconference brief, Mannesmann stated that "In many instances, not even the distributor will know the actual end use of the pipe it sells because distributors often sell to other distributors or to supply houses." Exhibit 5, p. 1.

[26] A-106 is the specification for carbon pressure pipe, A-335 for alloy pressure pipe, API 5L for line pipe, and A-53 for standard pipe.

However, because of the prevalence of triple-stenciling, this form of reporting does not appear to be particularly meaningful and is not presented in this report.

The following tabulation presents the reported specifications to which subject pipe was stenciled and the uses to which it was put in 1993:

* * * * * * *

On a volume basis, the majority of the pipe consumed in the United States was triple stenciled to A-106/API 5L/A-53.[27] This was true even for those sources (i.e., *** and ***) whose product was exclusively or primarily used in line applications.

Presentation of Data for Different Sizes of Pipe

Data are reported for subject pipe (that is pipe up to 4.5 inches OD) in the body of this report. Data for seamless carbon and alloy standard, line, and pressure steel pipe of all sizes are presented in appendix C (table C-4).[28]

At the Commission's conference, counsel for the petitioner testified that the petition was drafted to exclude product more than 4.5 inches OD because the larger diameter product is generally produced by different manufacturers.[29] Lynn Branan, general manager for the Gulf States Tube Division of Quanex, further testified that manufacturing mills are only capable of producing within certain size ranges and that 4.5 inches OD appears to be a "break point" for these types of products.[30]

As shown in the following tabulation, USS-Kobe and USX both produce seamless standard/line/pressure products inside and outside the size range of the scope:

Source	Chemical composition	Range of OD of subject pipe	Number of production lines
CF&I.....	Carbon	Not provided	***
Koppel.....	Carbon	2.375" to 4.5"	***
North Star....	Carbon	5.562" to 10.75"	***
Sharon Tube...	Carbon	0.405" to 2.375"	***

Tabulation continued.

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[27] Those producers that did not triple-stencil pipe included ***. The petition states that "Domestically produced seamless pipe in sizes below 2 inches are most often certified to the ASTM-A-106 specification only. It is triple or dual stencilled as requested by various customers." July 7, 1994 submission Amendment to Vol. 1 (Argentina), p. 3, n. 3.

[28] Table C-1 includes only subject product (i.e., up to 4.5 inches OD); table C-4 includes the smaller-diameter subject product along with comparable pipe over 4.5 inches OD. A comparison of the two tables shows that U.S. production of seamless pipe not more than 4.5 inches OD (or subject product) represents approximately 34 percent of the quantity of all such seamless pipe.

[29] Also, small-diameter pipe is more extensively focused on industrial applications and sold through industrial supply houses whereas the larger diameter product is more extensively used in pipelines and often bid on by distributors. TR, pp. 35-36.

[30] TR, pp. 33-35.

Source	Chemical composition	Range of OD of subject pipe	Number of production lines
Quanex.....	Carbon	0.405" to 2.375"	***
	Alloy	0.405" to 2.375"	***
USS-Kobe.....	Carbon	1.9" to 4.5"	***
	Alloy	2.375" to 4.25"	***
	Carbon	10.625 " to 26"	***
	Alloy	Not available	***
USX.....	Carbon	4.5" to 9.625"	***
	Alloy	Not available	***

***. USX primarily manufactures the larger product; 4.5 inches OD is its smallest size. Additional producers of seamless standard/line/pressure pipe over 4.5 inches OD consist of CF&I and North Star.[31]

Generally speaking, there appear to be no differences in the uses to which pipe 4.5 inches OD and under as a group are put when compared to product over 4.5 inches OD. Line capacity, operating pressure, temperature, stress level, and structural integrity determine the size of pipe that must be employed for any one application. However, pipe under 2 inches OD is used almost exclusively as pressure pipe (and, if domestically produced, is typically certified only to A-106 or A-335).[32] Pipe in the size range from 2 inches OD to 4.5 inches OD can be used for both pressure and line applications. Large diameter pipe outside the scope will very likely be used in oil or gas pipe lines (and not as pressure pipe).[33]

Presentation of Data for Different Chemical Compositions of Pipe

Separate data for carbon seamless pipe and for alloy seamless pipe (defined as alloy pipe not including stainless) are presented in appendix C, tables C-2 and C-3, respectively.[34] Counsel for petitioner testified that is appropriate to examine carbon and alloy as one product group. Production processes are virtually identical, differing only in the type of bar that is fed into its press. Uses vary according to the customers' environments: high-pressure and high-temperature requirements require the additional chromium found in alloy grades. High chromium content enhances oxidation resistance and holds strength levels. It should be noted that there are multiple grades of carbon and multiple grades of alloy, each with varying chromium content.[35]

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[31] Data for these firms are included in table C-4.

[32] Domestic producers will triple-stencil if their customers request it. The stenciling (and preliminary testing) is not expensive.

[33] Petitioner's postconference brief, p. 47.

[34] As shown by a comparison of tables C-2 and C-3, almost all of the certain seamless pipe produced in and imported into the United States is manufactured using carbon grades. The unit values of U.S. shipments of domestically-produced carbon grades were somewhat lower than those of the alloy grades in 1991 and 1992. However, in 1993, the unit value of U.S.-produced alloy shipped ($*** per short ton) was actually lower than that of the carbon product ($*** per short ton).

[35] TR, pp. 37-41. Referring to pressure requirements, A-335 (the alloy specification) "takes off" where A-106 (the carbon specification) "leaves off." Only minimal amounts of alloy pipe are used in standard or line applications. Staff visit to the Gulf States Tube Division of Quanex, July 12, 1994.

THE U.S. MARKET

Apparent U.S. Consumption[36]

Table 1 presents data on apparent U.S. consumption of certain seamless pipe. As shown, the quantity of apparent consumption declined sharply (by 21 percent) from 1991 to 1992, then returned in 1993 to levels somewhat greater than those at the start of the period. During interim 1994, apparent consumption again decreased (by 21 percent when compared to interim 1993). Information on the factors that affect demand for certain seamless pipe is presented in the section of this report entitled "Market Characteristics."

U.S. Producers

Producing firms are listed in table 2. In 1993, the petitioning firm, Quanex, accounted for *** percent of U.S. production of certain seamless pipe. Some firms are fully integrated steel manufacturers that produce a wide range of steel products. In contrast, Quanex produces pipe from *** in a plant in Rosenberg, TX that was constructed in 1956.[37] Petitioner notes that it is the only domestic producer located in the southwest, one of the largest consuming areas for this product in the United States because of the concentration of the chemical and petro-chemical plants, and refineries that use the product.[38] Koppel Steel started operations in 1991, using the assets of the former Babcock and Wilcox facility. It manufactures product from ***.

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[36] The data for the following section on apparent U.S. consumption (and for the other sections of this report) are based primarily on the responses of industry participants to Commission questionnaires. Nine producers' questionnaires were sent to firms believed to be manufacturing seamless carbon and alloy standard, line, and pressure steel pipe above and below 4.5 inches OD. (One of the firms that received the producers' questionnaire, ***, reported that it produces boiler tubing and condenser tubing. Such tubing is not subject to investigation unless it is stenciled to A-106. ***.) The remaining eight firms provided a response to the questionnaire and their data are believed to account for virtually all domestic production.

A total of 27 importers' questionnaires were sent to producing firms and to those firms that reported more than insignificant imports into the United States from subject countries under the *HTS* classifications that include subject pipe. Completed responses were received from nine firms. In addition, 16 firms indicated that they did not import subject pipe during the January 1991 to March 1994 period. Two firms (*** and ***) did not respond to the Commission's questionnaire and could not be contacted by staff. *** imported *** short tons of line pipe from Brazil in 1994 that was valued at $***. In 1993, it imported *** short tons (valued at $***) and imported *** short tons (valued at $***) in 1992. *** imported product in a basket category from Germany in 1991 that was valued at $***. The data included in the report also do not include imports of subject pipe sold by Benteler A.G. to ***. ***. The data reported by responding importers are believed to account for almost all of imports from subject sources into the United States.

Data for the quantity and value of pipe imported from nonsubject countries were estimated using official Commerce statistics and questionnaires sent to importers from nonsubject countries. The method of estimation and the number and identity of importers contacted are discussed in the section of this report on U.S. imports.

[37] In addition to certain seamless pipe, the plant produces carbon and alloy condenser and heat-exchanger tubing, seamless mechanical tubing products, and some welded products. Petition, vol. II, p. 10.

The petitioner's parent, Quanex Corp., also *** owns Michigan Seamless Tube (MST), Livonia, MI, a large producer of seamless mechanical tubing for the automotive industry. The firm produces small amounts (less than *** short tons annually) of a specialized heavy-walled A-106 pressure pipe that the Rosenberg, TX, facility cannot manufacture. The pipe is ***; data (including financial data) for the product were included in the Rosenberg, TX questionnaire response (referred to in this report as "Quanex"). Staff conversation with counsel for petitioner, July 26, 1994.

[38] Petition, vol. II, p. 11.

Table 1
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Quantity (*short tons*)				
Producers' U.S. shipments	98,978	106,671	144,645	48,160	37,307
Importers' U.S. shipments:					
Argentina					
Brazil					
Germany					
Italy					
Subtotal	* * * * * * *				
Japan					
France					
Canada					
Spain					
Total	114,306	62,323	80,843	14,747	12,293
Apparent consumption	213,284	168,994	225,488	62,907	49,600
	Value (*1,000 dollars*)				
Producers' U.S. shipments	83,480	78,412	95,530	30,477	23,388
Importers' U.S. shipments:					
Argentina					
Brazil					
Germany					
Italy					
Subtotal	* * * * * * *				
Japan					
France					
Canada					
Spain					
Total	82,160	43,067	49,632	9,015	7,952
Apparent consumption	165,640	121,479	145,162	39,492	31,340

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

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

Table 2
Certain seamless carbon and alloy standard, line, and pressure steel pipe: U.S. producers, plant locations, positions on the petition, and 1993 U.S. production

* * * * * * *

***. ***. *** production, ***, is provided in the following tabulation (in short tons):

* * * * * * *

* * * * * * *[39]

As stated above, Commerce excluded "redraw hollows for cold-drawing when used in the production of cold-drawn pipe or tube." ***.[40] ***.[41]

U.S. Importers

As shown in table 3, most of the subject product is imported by affiliates of the foreign manufacturers.

Table 3
Certain seamless carbon and alloy standard, line, and pressure steel pipe up to 4.5 inches OD: U.S. importers, quantity of imports in 1993, share of total imports from subject countries, and foreign manufacturer

* * * * * * *

The bulk of the imports from subject countries enter into the Gulf coast region of the United States through the ports of Houston or New Orleans. Data listing the quantity of imports into the United States, by customs district, for those *HTS* subheadings under which subject products are commonly entered are presented in appendix D.

Channels of Distribution

Table 4 presents the channels of distribution of certain seamless pipe by source. As shown, the vast majority of subject product is sold by U.S. manufacturers and importers from subject countries to unrelated distributors. Almost all sales to end users were by ***. The distributors tend to sell all types of subject product and not specialize in seamless standard, line, or pressure pipe. A key reason that manufacturers triple-certify is to the desire of distributors to carry a single or common inventory.[42]

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[39] ***.
[40] ***.
[41] ***.
[42] Petitioner's postconference brief, pp. 37-38.

Table 4
Certain seamless carbon and alloy standard, line, and pressure steel pipe up to 4.5 inches OD: Domestic producers' and importers' U.S. shipments, by channels of distribution, 1993

(*Short tons*)

Item	U.S. shipments made in 1993 to-- Unrelated distributors	Related distributors	Unrelated end users	Related end users
Domestic producers	0	145,188	0	***
Imported:				
Argentina	0	***	0	***
Brazil	0	***	0	***
Germany	0	***	0	***
Italy	0	***	0	***

Note.--Data reported by ***, ***, and *** include their exports.

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

CONSIDERATION OF THE QUESTION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

Section 771(7)(B) of the Act (19 U.S.C. 1677(7)(B)) provides that in making its determination in these investigations the Commission--

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

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

> In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.
>
> In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether (I) there has been significant price underselling by the imported merchandise as compared with the price of like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

In examining the impact required to be considered under subparagraph (B)(iii), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to, (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.

Available information on the volume of imports (item (B)(I) above) is presented in the section of this report entitled "U.S. Imports." Information on the other factors specified is presented in this section.

Separate data are provided for each reporting producer in the following sections of this report. The U.S. industry is somewhat diverse with respect to such factors as size (***) and product produced (*** of the certain seamless pipe manufactured by *** and Quanex was 2 inches OD or under). As noted earlier, Koppel Steel started manufacturing operations in 1991.

U.S. Production, Capacity, and Capacity Utilization

Data for the U.S. production, capacity, and capacity utilization of manufacturers of certain seamless pipe are presented in table 5. Staff notes that capacity data should be viewed with caution. As shown in the below tabulation, all firms manufactured products other than certain seamless pipe on their production equipment:

Firm	Other products manufactured	Total annual 1993 capacity[1] (*Short tons*)
Koppel Steel...	OCTG and other products	***
Sharon Tube...	Mechanical tubing, welded carbon	***
Quanex.....	Low-temperature pipe	***
USS-Kobe.....	OCTG	***
USX.....	OCTG	***
Total.....		***

[1] Total capacity was defined as that for the production lines on which certain seamless pipe and "traded" redraw hollows are produced. ("Traded" redraws were those sold commercially. The Commission's questionnaire instructed respondents "to assume a product mix that was typical or representative of your production during the period. If your plant is subject to considerable short-run variation, assume the product mix of the current period." Of the responding firms, only *** allocated their capacity on an annual basis. The other firms used the same allocation for each of the periods for which they reported.

***. Utilization of that capacity was low. It increased irregularly from 1991 to 1993, then declined during January-March 1994 compared to January-March 1993.

Table 5
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: U.S. capacity, production, and capacity utilization, by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	End-of-period capacity (*short tons*)				
Koppel Steel Quanex Sharon Tube USS-Kobe	* * * * * * *				
Total	235,761	251,925	247,650	63,517	61,668
	Production (*short tons*)				
Koppel Steel Quanex Sharon Tube *** USS-Kobe USX	* * * * * * *				
Total	105,709	108,078	147,330	51,809	39,446
	End-of-period capacity utilization (*percent*)				
Koppel Steel Quanex Sharon Tube USS-Kobe	* * * * * * *				
Average	33.5	32.5	46.2	58.6	47.7

Note 1.--Average ratios are calculated using data of firms supplying both numerator and denominator information. *** did not provide capacity data; *** could not allocate the portion of their total capacity data that would apply to subject product. (It becomes more difficult to accurately allocate capacity when the proportion of covered product to all products produced is small. In 1993, *** manufactured *** short tons on a production line with a capacity of *** short tons.)

Note 2.--***.

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

U.S. Producers' Shipments

The quantity of U.S. shipments by all producers (in aggregate) increased by 46 percent from 1991 to 1993, then declined by 23 percent during the interim periods (table 6). However, the aggregate value of U.S. shipments declined from 1991 to 1992, before rising in 1993. (Like the quantity of U.S. shipments, the value of U.S. shipments decreased from January-March 1993 to January-March 1994.) Variations between quantity trends and value trends reflect the unit value of the product, which decreased steadily throughout the periods examined.

Quantity (and value) trends differed among producers. There was a large increase in U.S. shipments by *** from 1991 to 1993 as ***. Shipments by *** were relatively flat from 1991 to 1993 and those of *** decreased significantly during that period. ***.[43] Shipments by *** and *** rose from 1991 to 1993, those of *** increasing by *** percent in 1992-93. Although he was not able to offer precise information about the timing or nature of the incentive, a representative of *** stated to Commission staff that the 1993 rise in shipments was due to a tax incentive provided by the U.S. Government that promoted oil-well drilling.[44] That drilling, in turn, expanded the demand for the line pipe used in the oil fields as drillers refilled inventories. However, the oil drilling market "went to hell in an hand-basket" and ***, like ***, declined in interim 1994 when compared to interim 1993.

The aggregate unit value of certain seamless pipe declined steadily throughout the period examined. No firm reported any intracompany consumption of the subject product. Exports, as a share of total shipments, were relatively minor. U.S. producers exported *** short tons in 1991, *** short tons in 1992, *** short tons in 1993, *** short tons during January-March 1993, and *** short tons during January-March 1994.

U.S. Producers' Inventories

U.S. producers' end-of-period inventories are presented in table 7. Inventories (and the ratios of inventories to production and shipments) declined throughout the period examined. However, the decline shown is primarily that reported by ***.

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[43] No firms other than *** and Quanex reported shipping any pipe sized 2 inches OD or under in 1993. Only USS-Kobe reported the ability to even produce the small-diameter product. (As shown earlier in this report, USS-Kobe can manufacture down to 1.9 inches OD.)

[44] Staff conversations with ***.

Table 6
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: U.S. producers' U.S. shipments, by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Quantity (*short tons*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
***					
USS-Kobe					
USX					
Total	98,978	106,671	144,645	48,160	37,307
	Value (*1,000 dollars*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	83,480	78,412	95,530	30,477	23,388
	Unit value (*per short ton*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Average	$847	$738	$662	$634	$627

Note 1.--Average unit values are calculated using data of firms supplying both quantity and value information. *** did not provide value data.

Note 2.--Data for *** do not include nonprime material that was originally produced for sale as subject product, but sold primarily for OCTG applications because it did not meet the specifications. ***.

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

Table 7
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: End-of-period inventories of U.S. producers, by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.- 1993	1994
	Quantity (*short tons*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	13,848	9,676	5,059	11,496	5,813
	Ratio to production (*percent*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	13.2	9.0	3.4	5.6	3.7
	Ratio to U.S. shipments (*percent*)				
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	14.1	9.1	3.5	6.0	3.9

Note.--Average ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized. *** did not provide data on inventories.

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

U.S. Producers' Employment, Wages, and Productivity

The number of workers producing certain seamless pipe,[45] hours worked, and wages and total compensation paid to them each increased from 1991 to 1993, then fell during the interim periods (table 8). Hourly wages paid rose irregularly throughout the period examined. Data on productivity and unit labor costs should be examined separately by firm. ***'s seemingly high productivity and low unit labor costs are at least partially attributable to ***. ***, which reports relatively low productivity and high unit labor costs, is ***.[46] The rise in ***'s productivity and decline in its unit labor costs reflect its ***.

[45] The production and related workers of all firms are represented by the United Steelworkers of America.
[46] ***.

Table 8
Average number of total employees and production and related workers in establishments wherein certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit labor costs,[2] by products and by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994[3]

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Number of employees				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	4,238	4,334	4,421	4,327	4,369
	Number of production and related workers (*PRWs*)				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	3,566	3,361	3,611	3,556	3,617
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	198	242	299	419	295
	Hours worked by PRWs (*1,000 hours*)				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	7,111	7,122	8,031	2,006	2,011
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	481	585	715	237	171

Table continued.

Table 8--Continued
Average number of total employees and production and related workers in establishments wherein certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit labor costs,[2] by products and by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994[3]

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Wages paid to PRWs (*1,000 dollars*)				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	125,261	128,499	155,086	37,069	39,682
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	7,863	9,557	13,032	4,391	3,328
	Total compensation paid to PRWs (*1,000 dollars*)				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	172,737	177,041	208,141	50,712	58,137
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Total	10,935	13,729	17,313	5,924	4,635
	Hourly wages paid to PRWs				
All products:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Average	$17.62	$18.04	$19.31	$18.48	$19.73

Table continued.

Table 8--Continued
Average number of total employees and production and related workers in establishments wherein certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD are produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit labor costs,[2] by products and by firms, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994[3]

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
			Hourly wages paid to PRWs		
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Average	$16.35	$16.34	$18.23	$18.53	$19.46
			Productivity (*short tons per 1,000 hours*)		
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Average	233.3	184.1	205.6	218.1	230.6
			Unit labor costs (*per short ton*)		
Subject pipe:					
Koppel Steel					
Quanex					
Sharon Tube	*	*	*	*	*	*	*
USS-Kobe					
USX					
Average	$103.91	$124.70	$117.79	$114.61	$117.56

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Firms providing employment data accounted for *** percent of reported total U.S. shipments (based on quantity) in 1993.

Note 1.--Average ratios are calculated using data of firms supplying both numerator and denominator information. *** did not provide employment data.

Note 2.--Employment data for *** include their production of unfinished product sold separately.

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

Financial Experience of U.S. Producers

Five producers, accounting for approximately *** percent of U.S. production of certain seamless pipes up to 4.5 inches OD in 1993, furnished income-and-loss and other financial data.[47] [48]

Overall Establishment Operations

Some of the producers indicated that they also produce larger size (over 4.5 inches OD) seamless pipe in their establishments. All of the producers manufacture a variety of other steel products such as bars and/or other pipe and tube products. ***. Collectively, certain seamless pipe accounted for 4.4 percent of overall establishment sales in 1993.

Operations on Certain Seamless Pipe Up To 4.5 Inches OD

The aggregate income-and-loss experience of the U.S. producers is presented in table 9. In 1992 net sales were $79.0 million, a decline of 7.5 percent from 1991 sales of $85.4 million. This reduction occurred despite a ***. ***. In 1993 net sales rose sharply to $97.0 million, an increase of 22.8 percent.

Operating income was $8.2 million in 1991, primarily due to ***. There was an aggregate industry loss of $733,000 in 1992. In 1993 operating income was $1.2 million. Operating income (loss) ratios, as a share of net sales, were 9.6 percent in 1991, (0.9) in 1992, and 1.2 in 1993. Operating losses were incurred by *** companies in 1991, *** companies in 1992, and *** companies in 1993.

Interim 1994 sales declined sharply to $23.4 million, a reduction of 23.8 percent from interim 1993 sales of $30.7 million. Operating income was $515,000 in interim 1993, but there was an operating loss of $1.5 million in interim 1994. Operating income (loss) ratios were 1.7 percent in interim 1993 and (6.5) in interim 1994. *** firms incurred operating losses in interim 1993 and *** firms in interim 1994.

Producers obtain their raw material from various sources, including internal production, purchases from related and unrelated companies, and ***. A breakdown of the raw material, labor, and overhead costs for each period is presented in the following tabulation (in 1,000 dollars):

* * * * * * *

Income-and-loss data by firms are presented in table 10. ***.[49]

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[47] These producers are Koppel, Quanex, Sharon, USS-Kobe, and USX.

[48] Salient income-and-loss data for certain seamless pipes of all sizes are presented in app. C, table C-4. Separate data for carbon and alloy pipe up to 4.5 inches OD are presented in tables C-2 and C-3, respectively.

[49] ***.

Table 9
Income-and-loss experience of U.S. producers on their operations producing certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994[1] [2]

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Value (*1,000 dollars*)				
Net sales	85,394	78,998	97,014	30,732	23,413
Cost of goods sold	73,281	75,460	90,377	28,513	23,783
Gross profit or (loss)	12,113	3,538	6,637	2,219	(370)
Selling, general, and administrative expenses	3,873	4,271	5,455	1,704	1,148
Operating income or (loss)	8,240	(733)	1,182	515	(1,518)
Startup or shutdown expense	1,288	159	210	34	30
Interest expense	547	1,546	1,306	416	264
Other income, net	275	54	407	121	4
Net income or (loss) before income taxes	6,680	(2,384)	73	186	(1,808)
Depreciation and amortization	3,341	4,815	5,264	1,915	1,314
Cash flow[3]	10,021	2,431	5,337	2,101	(494)
	Ratio to net sales (*percent*)				
Cost of goods sold	85.8	95.5	93.2	92.8	101.6
Gross profit or (loss)	14.2	4.5	6.8	7.2	(1.6)
Selling, general, and administrative expenses	4.5	5.4	5.6	5.5	4.9
Operating income or (loss)	9.6	(0.9)	1.2	1.7	(6.5)
Net income or (loss) before income taxes	7.8	(3.0)	0.1	0.6	(7.7)
	Number of firms reporting				
Operating losses	***	***	***	***	***
Net losses	***	***	***	***	***
Data	5	5	5	5	5

[1] These producers are Koppel, Quanex, Sharon Tube, USS-Kobe, and USX.
[2] Fiscal years are Dec. 31 for all producers except Quanex (Oct. 31) and Koppel (Sept. 28, 1991, Sept. 26, 1992, Sept. 25, 1993).
[3] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 10
Income-and-loss experience of U.S. producers on their operations producing certain finished seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD, by firms, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

* * * * * * *[50]

Per-Ton Analysis

Income-and-loss data by firms on a per-ton basis are presented in table 11. The aggregate average per-ton values reflect the wide variations of the product mix among the individual producers.

Table 11
Income-and-loss experience (on a per-short-ton basis) of U.S. producers on their operations producing certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD, by firms, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

One of the primary factors accounting for the wide per-ton variations in sales values between individual companies is diameter size. The two companies (Quanex and ***) that manufacture products with a maximum OD of 2.375 inches have higher per ton sales values than the three companies (Koppel, USS-Kobe, and USX) that manufacture products with larger diameters. ***. A summary of product size and the average sales unit values in interim 1994 are shown below:

* * * * * * *

Investment in Productive Facilities

The producers' investment in property, plant, and equipment is shown in table 12. Rates of return are not shown because two companies did not furnish asset data.

Table 12
Value of assets of U.S. producers' operations producing certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

Capital Expenditures

Capital expenditures for the seamless pipe industry are presented in table 13.

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[50] ***.

Table 13
Capital expenditures by U.S. producers of certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

Research and Development

Research and development expenses for three producers of seamless pipe are shown in the following tabulation (in 1,000 dollars):

* * * * * * *

Capital and Investment

The Commission requested the producers to describe and explain the actual and potential negative effects of imports of certain seamless pipe from Argentina, Brazil, Germany, and Italy on their growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of certain seamless pipe). Their responses to this question are presented in appendix E.

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

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

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors[51]--
>
> > (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
> >
> > (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
> >
> > (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
> >
> > (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

[51] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 706 or 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[52]

The available information on the nature of the alleged subsidies (item (I) above) is presented in the section of this report entitled "Alleged Subsidies by the Government of Italy;" information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of the Question of Material Injury to an Industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII)); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. Item (IX) is not applicable.

[52] Section 771(7)(F)(iii) of the Act (19 U.S.C. 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets other than the United States

The data in the following sections of the report are based primarily on responses to Commission requests for information submitted to foreign manufacturers through their U.S. counsels. Staff also provided the names and addresses of all foreign manufacturers listed in the petitions to the U.S. embassies in Argentina, Brazil, Germany, and Italy and requested that the embassies obtain information on the capacity to produce, production, shipments, and inventories for those firms and for any other identified producers.

The Industry in Argentina

The only manufacturer of certain seamless pipe in Argentina is Siderca S.A.I.C. (Siderca), Buenos Aires, Argentina.[53] Data for its certain seamless pipe operations are presented in table 14.

Table 14
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Argentina's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * * * *

The Industry in Brazil

There are two manufacturers of subject product in Brazil: Mannesmann S.A., Sao Paulo, Brazil,[54] and NCS Siderurgica (or "Excell"), Sao Paulo, Brazil.[55] Data for the certain seamless pipe operations of Mannesmann S.A. are presented in table 15. The firm was not able to allocate its capacity among subject and nonsubject products. However, the mill is currently undergoing modernizing which will have the effect of somewhat reducing its capacity to produce. The new plant will include a rotary-piercing (mandrel) mill capable of producing *** metric tons on an annual basis. Its former facility consisted of two extrusion presses and a pilger mill which together had a capacity of *** metric tons. The new plant should be operational in ***.

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[53] The U.S. Embassy in Buenos Aires, Argentina verified that Siderca is the sole producer of certain seamless pipe in Argentina. (U.S. Dept. of State telegram No. R 082243Z, July 1994, prepared by the U.S. Embassy, Buenos Aires.) In its most recent fiscal year, subject product accounted for *** percent of Siderca's total sales. The firm also produces boiler, heat- exchanger, structural, and mechanical pipe and tubing and unfinished OCTG.

[54] In its most recent fiscal year, subject pipe accounted for *** percent of total sales by Mannesmann S.A. The firm also produces other hot-rolled seamless tubes, including casing and mechanical tubes. Mannesmann S.A. (and Mannesmannrohren-Werke, a German manufacturer of subject pipe) are both owned by Mannesmann AG, Dusseldorf, Germany.

[55] According to information provided by the U.S. Consulate in Rio de Janeiro, Excell (named as a manufacturer by ***) and NCS Siderurgica (named as a manufacturer in the petition) are believed to be the same facility. The Instituto Brasileira Siderurgica (IBS), or the Brazilian Steel Institute, lists only these two firms as producers of certain seamless pipe. As shown in table 3, *** Brazilian imports into the United States were manufactured by Mannesmann S.A. The consulate obtained data on what appears to be aggregate seamless steel pipe production and shipments from the IBS monthly and annual reports. According to those reports, Mannesmann S.A. produced 284,000 metric tons of seamless pipe in 1993 and Excell manufactured 18,000 metric tons. (U.S. Dept. of State telegram No. R 141348Z, July 1994, prepared by U.S. Consulate, Rio de Janeiro.)

Table 15
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Brazil's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * * * *

The Industry in Germany

Certain seamless pipe is produced in Germany by Mannesmannröhren-Werke (MRW), Dusseldorf, Germany, and Benteler A.G., Paderborn, Germany.[56] [57] Data for the certain seamless pipe operations of these firms are presented in table 16. As shown, neither firm was able to provide capacity allocations. In its response to the Commission's foreign producer questionnaire, MRW reported that ***. The firm reduced its capacity to produce all seamless pipe up to 4.5 inches OD by *** tons or 36 percent in July 1992 when it demolished the Rohrkontistrasse mill.[58] Its current capacity to produce is *** tons. ***.

Table 16
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Germany's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * * * *

The Industry in Italy

Dalmine SpA. estimates that it produces from *** percent to *** percent of subject carbon pipe in Italy (and *** the subject alloy pipe). It is the primary exporter of the product to the United States, accounting for *** percent of total Italian exports of subject product.[59] [60] Dalmine is a government-owned company that has been in the process of restructuring (and privatizing) its seamless pipe and tube operations over a number of years. The firm operates a number of mills that have the capacity of producing seamless tubes with an OD not more than 4.5 inches. As part of its restructuring operations, two extrusion presses were shut down in mid-1992 (Brescia and Arcore) and

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[56] The petition named four other possible manufacturers: Rohrenwerke Bous/Saar GmbH (RBS); Rohrwerk Neue Maxhutte GmbH; Technitube Rohrenwerke GmbH; and Walzlagerrohr GmbH. The Commission did not receive a response to its request to the U.S. Embassy in Bonn, Germany, for information on these producers. However, in its postconference brief, Mannesmann stated that of these firms only Rohrwerk Neue Maxhutte GmbH manufactures the subject product; ***. Rohrenwerke Bous/Saar GmbH reportedly only manufactures pipe in sizes 6 to 16 inches OD. Technitube Rohrenwerke GmbH is a redrawer and fabricator, primarily of stainless products. Walzlagerrohr GmbH produces only bearing steel and mechanical tubing. Postconference brief, p. 17, n. 10.

[57] In their most recent fiscal year, subject product accounted for *** percent of total sales by MRW and *** percent of total sales by Benteler A.G. In addition to subject product, MRW produces hollows, boiler and pressure tubes, line pipes, and OCTG; Benteler A.G. also manufactures hollows, automotive and boiler tubes, and OCTG.

[58] ***.

[59] This ranking was provided by Dalmine in its response to the Commission's foreign producer questionnaire. Its estimate is supported by data provided in table 3 of this report.

[60] In their most recent fiscal year, certain seamless pipe accounted for *** percent of total sales by Dalmine. In addition to subject product, Dalmine produces the following pipe products in the size range up to 4.5 inches OD: OCTG, hollows, bearings, and hot and cold mechanical pipe.

another (***) will be closed at the end of 1994. The net change in capacity as a result of these operations during the period examined is a reduction of in capacity of *** short tons (table 17).[61]

Table 17
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Italy's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * * * *

Pietra SpA, Brescia, Italy, is the only other manufacturer in Italy that is known to have exported subject product into the United States during the period examined.[62] In response to an inquiry from the U.S. Consulate in Milan, Marco Bertoni, commercial director for the firm, stated that Pietra operated an extrusion mill in 1991 and 1992 that had a total capacity of 60,000 metric tons. In 1993, it brought a "cross-piercing elongator" on-line and expects that capacity to produce will increase as a result. Pietra exported (or expects to export) 80 metric tons of carbon steel pressure pipe to the United States in 1991, 99 metric tons in 1992, 258 metric tons in 1993, 80 metric tons in 1994 (projected), and 100 metric tons in 1995 (projected). All imports appear to be through ***.

U.S. Importers' Inventories

Inventories by U.S. importers of certain seamless pipe were only reported for those firms importing from Italy. Such data are presented in the following tabulation.

* * * * * * *

***.[63] None of the importers ***[64] and, other than ***, no other source reported any product in inventory.

The Potential for Product Shifting

In response to a question in the foreign producers questionnaire, each of the respondents stated that certain seamless pipe was not subject to antidumping findings or remedies in any GATT-member countries. However effective June 30, 1994, the Commission instituted countervailing duty

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[61] Dalmine states "The shut down of the two extrusion presses in the years considered is caused by the low productivity and high costs of this kind of mill compared to the new technologies of the rolling mill: continuous mill and continuous pushing bench. The new technologies introduced for carbon and alloy steel pipes [sic] better tolerances with lower eccentricities and in general an improved status of the surface." Response to the foreign producers' questionnaire.

[62] In addition to Dalmine and Pietra, the petition named the following firms as possible manufacturers of certain seamless pipe in Italy: Acciaierie e Tubificio Meridionali SpA, Bari, Italy; Sandvik Italia SpA, Milan, Italy; Seta Tubi Srl, Brescia, Italy; and Tubicar SpA, Italy. The U.S. Consulate in Milan contacted each of the above-identified firms. Acciaierie e Tubificio Meridionali SpA claims that it has never exported any subject product to the United States. Sandvik stated that it is not authorized (presumably by its Swedish-owned parent) to directly export to the United States and has never done so. Seta Tubi Srl (the "Brescia" mill) was acquired by and then closed by Dalmine. Likewise, Tubicar SpA is a Dalmine subsidiary. Representatives of Tubicar SpA indicated that it produces nonsubject pipe. (U.S. Dept. of State telegram No. P 191359Z, July 1994, prepared by the U.S. Consulate in Milan, Italy.)

[63] Dalmine's postconference brief, pp. 21-22.

[64] Economic submission by Trade Resources Company, p. 30.

and antidumping investigations concerning OCTG from two of the countries subject to the instant investigations, specifically Argentina and Italy.[65] As noted above, both the Argentine producer (Siderca) and at least one of the Italian producers (Dalmine) manufacture certain seamless pipe and OCTG ***.

Current Orders and Expected Imports

The following tabulation (which is compiled from responses to Commission questionnaires) lists the quantity of product ordered in advance on a made-to-order basis by domestic producers and importers from subject sources as of the first day of each of the following quarters (in short tons):

Source	Jan.-Mar.-1993	Apr.-June 1993	July-Sept. 1993	Oct.-Dec.-1993	Jan.-Mar.-1994	Apr.-June 1994
	*	*	*	*	*	*

As shown, orders held by U.S. manufacturers declined irregularly for the quarters examined and in the last quarter were slightly less than one-half the level of the first quarter. Except for a dip on January 1, 1994, orders recorded by importers were relatively constant. The quantity of orders held in the last quarter examined was 11 percent higher than the quantity held in the first quarter.

In addition, importers reported that they imported, or arranged for the importation of, the following quantities of certain seamless pipe for delivery after March 31, 1994:

Source	Importer	Amount (*short tons*)	Time period
	*	*	*

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

Imports from Subject Countries

As shown in table 18, imports from subject sources accounted for *** percent of the quantity of all imports entering the United States during 1993. (Imports from other countries will be addressed in the following section.) Imports from Argentina, by quantity, decreased *** by *** percent from 1991 to 1993, then increased almost *** percent from January-March 1993 to January-March 1994. Imports from Mannesmann S.A. in Brazil rose during the 1991-93 period as exports by its affiliate in Germany declined.

[65] See investigations Nos. 701-TA-363-364 and 731-TA-711-717 (Preliminary), OCTG from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain.

Table 18
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: U.S. imports, by sources, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Quantity (*short tons*)				
Argentina					
Brazil					
Germany					
Italy					
Subtotal	*	*	*	*	*	*	*
Japan					
France					
Canada					
Spain					
Total	114,600	62,132	80,957	14,735	12,274
	Value (*1,000 dollars*)				
Argentina					
Brazil					
Germany					
Italy					
Subtotal	*	*	*	*	*	*	*
Japan					
France					
Canada					
Spain					
Total	80,206	41,672	47,793	8,621	7,584
	Unit value (*per short ton*)				
Argentina					
Brazil					
Germany					
Italy					
Average	*	*	*	*	*	*	*
Japan					
France					
Canada					
Spain					
Average	700	671	590	585	618

Note 1.--Data do not include ***. ***.

Note 2.--Data presented for nonsubject countries are derived from a combination of responses to Commission questionnaires and official import statistics. An explanation, by source, follows:

Table continued.

Continuation of table 18.

Japan.--Data are for the quantity and value of the product shown as entering under *HTS* Nos. 7304.10.10.20 (carbon line pipe) and 7304.10.50.20 (alloy line pipe) in the official Commerce statistics. According to Rule 3(a) of the General Rules of Interpretation of the *HTS* "the heading which provides the most specific description shall be preferred to headings providing a more general description." Therefore, any triple-stenciled standard/line/pressure carbon pipe is entered as "line" pipe. (This was confirmed by Paula Ilardi, the customs national import specialist.) Several industry sources stated to Commission staff that certainly the bulk, if not all, Japanese-produced certain seamless pipe is triple-stenciled and has been so throughout the period examined. (In fact, Japanese firms reportedly initiated the trend towards triple-stenciling in the mid-1980s.) Reported data are understated by the amount of any subject carbon pipe which is not triple-stenciled. This amount is not believed to be significant. (Staff notes that pipe entered into the ports of New Orleans and Houston for those *HTS* Nos. labelled by the AISI as not being primarily mechanical pipe amounted to 14,089 short tons in 1993. This quantity of pipe is that most likely to include subject product. However, the trend of the quantity of imports for that pipe was comparable to the pipe reported in the above table.) Reported data are also understated by the amount of any subject alloy pipe other than line pipe. In general, the market for subject alloy pipe is small when compared to that for the carbon product.

France.--Data for subject carbon pipe are the quantity and value of the product shown as entering under *HTS* No. 7304.10.10.20 (carbon line pipe) in the official Commerce statistics. ***. Reported data for subject alloy pipe are derived from official Commerce statistics, adjusted with the assistance of ***.

Canada.--Data for subject carbon and alloy pipe are the quantities and values reported by ***, and that data shown as entering under *HTS* No. 7304.10.10.20 (carbon line pipe). (Because ***, this addition does not result in double-counting.) Staff sent questionnaires to ***--the firms which accounted for almost all imports from Canada under the covered *HTS* numbers. Data for *** were not included in the table. ***. The imports recorded for *** appear to be misclassified by Customs. ***.

Spain.--Subject carbon and alloy pipe are the quantity and value reported by ***.

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

The following tabulation presents aggregate data for the Mannesmann affiliates in Brazil and Germany (in short tons):

				Jan.-Mar.--	
Source	1991	1992	1993	1993	1994
Brazil.....	***	***	***	***	***
Germany.....	***	***	***	***	***
Total.....	***	***	***	***	***

Aggregate imports into the United States by the Mannesmann affiliates declined irregularly by *** percent from 1991 to 1993 and then declined even more so during the interim periods. The interim decrease reflects the disruption in imports from Brazil during the period when Mannesmann S.A. is

restructuring its facility.[66] Imports from Italy increased more than *** from 1991 to 1993, then declined *** during the interim periods.

Imports from Other Countries

Table 18 also presents data measuring the quantity and value of imports from nonsubject countries, specifically Canada, France, Japan, and Spain.[67]

The quantity of imports from Canada ***. ***. Imports in 1992 were mainly of line pipe. In 1993, however, Stelco, Inc., Welland, ON, began producing seamless carbon pressure pipe on a newly installed stretch-mill. That pipe, which is certified to A-106, is hot-finished to sizes ranging from 1/2 inches OD to 2 inches OD. In 1993, over *** short tons were imported into the United States; during the first quarter of 1994, *** short tons were imported.[68]

Imports from France also increased during the period examined: from 1991 to 1993 such imports rose more than *** percent, by quantity. Interim 1994 imports were also significant when compared with those entered during interim 1993. According to ***, the increase during the latter part of the period examined was due to the favorable exchange rate for a product described as "very price sensitive."[69]

Imports from Japan have continued to account for a significant share of the total U.S. market, although the quantity imported from that source declined by 70 percent from 1991 to 1993 and decreased again, by 46 percent, during the interim periods.[70] Imports from Spain were ***.

Data for Categories of Certain Seamless Pipe

Table 19 presents data which itemize the category of pipe sold into the U.S. market by major suppliers in 1993. Data are presented separately for differing chemical compositions (carbon, heat-

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[66] Staff questioned Mannesmann as to whether it had made any arrangements to temporarily sell its customers certain seamless pipe from other sources in order to retain those customers until the plant is fully operational again in ***. ***. Staff conversation with counsel for Mannesmann, July 18, 1994.

[67] As stated earlier in this report, certain seamless pipe enters under a series of *HTS* items that are "basket numbers" in that they include product not subject to investigation (mainly mechanical pipe and redraw hollows used for a wide variety of pipe products). Imports from Canada, France, Japan, and Spain entering under the "basket numbers" accounted for more than 90 percent of the quantity of imports of carbon products from all nonsubject sources in 1993. There are occasional shipments from other countries, primarily located in eastern Europe, that also enter the U.S. market. Although pricing of these imports has been described as "outrageous," they reportedly are not at present truly competitive since they are not approved vendors by Exxon or Dow Chemical. (The Exxon and Dow Chemical vendor lists are made public and used as the industry standard by other purchasers.) ***.

[68] ***. *** stated that they may have lost market share to Canada during the period examined; pricing was described as "problematic." (Staff conversation with ***.) ***, which sells line pipe, reported only very limited competition with Canadian-produced product (the quantities of which appear to be ***). (Staff conversation with ***.) *** noted "some" competition with Canada. (Staff conversation with ***.)

[69] ***. U.S. producers reported that competition with France was not significant, although *** noted that they were aware of French imports in the market in 1992-93. (Staff conversation with ***.)

[70] *** stated that the firm does compete with imports from Japan for sales. However, he added that the statement should be framed in the context that Japan has been in the market for a number of years and is not necessarily taking more market share from *** since the beginning of the period examined. (Staff conversation with ***.) *** also reported "significant" competition from Japan on the West Coast and in the Houston market. (Staff conversation with ***.) *** states that the exchange rate with Japan has "kept them under control." ***. *** commented that imports from Japan do not compete for sales with pressure pipe under 2 inches OD. (Staff conversation with ***.)

resisting, and "other" alloy), for differing sizes (2 inches OD or under and over 2 inches OD to 4.5 inches OD) and for differing manufacturing methods (hot-finished or cold-drawn).

Table 19
Certain seamless carbon and alloy standard, line, and pressure steel pipe up to 4.5 inches OD: Domestic producers' and importers' U.S. shipments, by source, and by type and use of pipe, 1993

* * * * * * *

Certain Seamless Pipe 2 Inches OD or Under

As shown, almost all cold-drawn pipe is sold in the smaller diameter category. It is produced *** by U.S. firms (specifically, *** and Quanex); *** of the smaller diameter product sold by U.S. importers is cold-drawn.[71] The unit value of cold-drawn certain seamless pipe is significantly greater than that of hot-finished pipe, reflecting the time and cost of labor required to cold-draw product.[72] Petitioner's postconference brief (p. 20) states that:

> "Obviously, Gulf States' inability to hot-roll to smaller sizes (thus requiring that more sizes be made through cold-drawn) does act to offset some of the ... cost advantages on some [other] sizes. However, James Hill testified at the hearing that Gulf States would like to make the investment to be able to hot-roll to smaller sizes, but is being precluded from making the investment by reason of unfairly traded imports subject to investigation."

*** reported selling hot-finished pipe in the size range 2 inches OD and under into the U.S. market.

Certain Seamless Pipe Over 2 Inches OD to 4.5 Inches OD

Koppel Steel, USS-Kobe, USX, and importers from each of the subject sources reported selling (primarily carbon) pipe in the larger size category. Except for ***, unit values of all sources of hot-rolled carbon product were roughly comparable.

Market Penetration of Imports

Data for the market shares of certain seamless pipe are presented in table 20.

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[71] The unit value of hot-finished product shipped by *** and Quanex in 1993 was $*** per short ton, ***.

[72] Dalmine's postconference brief (exhibit 1, p. 1) states that "Cold-drawing is an expensive process that also requires the further handling of the product. Eliminating this stage results in cost savings of approximately 50% or more." TAD USA began importing hot-finished subject product under 1 inch OD into the United States in 1992.

Because the value of cold-drawn products varies significantly according to the number of draws that are made, it may be difficult to compare unit values among sources if there is any product differentiation.

Table 20
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Market shares of U.S. shipments of domestic product and U.S. shipments of imports, by sources, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

Item	1991	1992	1993	Jan.-Mar.-- 1993	1994
	Share of the quantity of U.S. consumption (percent)				
Producers' U.S. shipments	46.4	63.1	64.1	76.6	75.2
Importers' U.S. shipments:					
Argentina					
Brazil					
Germany					
Italy					
Subtotal	*	*	*	*	*	*	*
Japan					
France					
Canada					
Spain					
Total	53.6	36.9	35.9	23.4	24.8
	Share of the value of U.S. consumption (percent)				
Producers' U.S. shipments	50.4	64.5	65.8	77.2	74.6
Importers' U.S. shipments:					
Argentina					
Brazil					
Germany					
Italy					
Subtotal	*	*	*	*	*	*	*
Japan					
France					
Canada					
Spain					
Total	49.6	35.5	34.2	22.8	25.4

Note.--Because of rounding, shares may not add to the totals shown.

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

Prices

Market Characteristics

The market for certain seamless carbon and alloy standard, line, and pressure steel pipe up to 4.5 inches OD (certain seamless pipe) includes U.S. producers and importers that sell product predominantly to distributors, who resell the subject product to other distributors or end users. U.S. producers and importers may also sell lesser quantities to pipe fitting manufacturers, refineries, and other firms engaged in fluid processing. Demand for certain seamless pipe depends mainly on the level of demand in end-use markets (such as refineries, petro-chemical installations, and energy plants) that employ industrial piping systems for the transmission of water, steam, petro-chemicals, chemicals, oil, natural gas, and other gases and fluids. The majority of domestic producers and importers indicated decreasing demand for certain seamless pipe products during the investigative period, due in part to declining crude oil prices, declining capital spending in the oil and petro-chemical sector, and the general downturn in the overall U.S. economy.[73]

Five domestic producers and five importers provided information relevant to their selling practices for certain seamless pipe in the U.S. market. U.S. importers generally do not publish price lists, but rather prices are based on the specifics of the order and current market conditions.[74] Conversely, four out of five U.S. producers publish price lists. However, these firms indicated that price lists serve only as a basis for discount policies or as a guideline for negotiating prices based on prevailing market conditions. Two U.S. producers reported consistently providing volume discounts in excess of the standard 5 percent on their sales of certain seamless pipe during the period examined. *** reported providing volume discounts reaching 20 percent off list price to maintain customer base. Quanex maintains a "foreign fighters" pricing program which offers distributors in the Gulf Coast region[75] a *** percent discount from list prices for certain seamless pipe ***.[76] Qualifying distributors are required to commit to quarterly purchase orders of *** tons or more in advance. ***.[77]

Prices for domestic, Argentine, Brazilian, Italian, and German certain seamless pipe are predominantly quoted on an f.o.b. dock or mill basis with inland shipping charges paid by the purchaser. One U.S. producer, ***, reported selling certain seamless pipe on a delivered basis. According to questionnaire responses, all U.S. producers and three out of five importers indicated that transportation costs are an important factor in their customers' purchase decisions. Transportation costs as a percentage of total delivered cost for the subject product varied widely, ranging from 3 to 6 percent for U.S. producers and from less than 1 to 10 percent for importers. U.S. producers' lead times between order and delivery to a customer range from 1-3 days for orders from stock to 4-8 weeks for orders not inventoried. Lead times for importers of the subject product were similar for stock orders, but ranged between 2 and 6 months for shipments of orders that cannot be filled by existing U.S. inventories.

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[73] *** indicated that Federal regulation of air quality has dampened demand in the chemical and refinery industries as firms assess the cost of compliance (or penalties for noncompliance) with new environmental regulations. In addition, the increased influence of co-generation and the maturity of the power generation industry has contributed to decreasing demand for certain seamless pipe.

[74] ***.

[75] Gulf Coast states are defined as: Alabama, Arkansas, Florida, Louisiana, Mississippi, Oklahoma, and Texas.

[76] Petition, vol. II, pp. 16-17.

[77] ***.

Both U.S. producers and importers concur that U.S.-produced certain seamless pipe and the subject imports, whether carbon or alloy, are interchangeable in their intended uses.[78] The majority of questionnaire responses also indicated that quality differences between domestic and imported certain seamless pipe were not a factor in a firm's sales. However, one importer ***.[79] When queried concerning the extent which nonprice factors influence purchasers' sourcing decisions for certain seamless pipe, four U.S. producers responded "a little," while four out of five importers responded "greatly." One importer responded that nonprice factors were "somewhat important".[80]

Questionnaire Price Data

The Commission requested U.S. producers and importers to report net U.S. f.o.b. selling prices for sales of certain seamless pipe to unrelated distributors, as well as the total quantity shipped and the total net f.o.b. value shipped in each quarter to all unrelated U.S. distributors. Quarterly price data were requested for the largest single sale and for total sales of the products specified, from January-March 1991 through January-March 1994. The products for which pricing data were requested are as follows:[81]

Product 1: Seamless pipe meeting ASTM A-106 grade B, ASTM A-53, and API 5L grade B specifications; 1" nominal size (1.315" OD X 0.179" wall thickness); schedule 80

Product 2: Seamless pipe meeting ASTM A-106 grade B, ASTM A-53, and API 5L grade B specifications; 1.5" nominal size (1.900" OD X 0.200" wall thickness); schedule 80

Product 3: Seamless pipe meeting ASTM A-106 grade B, ASTM A-53, and API 5L grade B specifications; 2.5" nominal size (2.875" OD X 0.276" wall thickness); schedule 80

Product 4: Seamless pipe meeting ASTM A-106 grade B, ASTM A-53, and API 5L grade B specifications; 4.0" nominal size (4.50" OD X 0.337" wall thickness); schedule 80

Product 5: Seamless pipe meeting ASTM A-335 grade P11 specifications; 3/4" nominal size (1.05" OD X 0.154" wall thickness); schedule 80

U.S. Producers' and Importers' Prices

Five domestic producers and four importers provided pricing data for sales of the requested products in the U.S. market, although not necessarily for all products or all quarters over the period examined (tables 21-25).[82]

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[78] Producers' and importers' questionnaire responses.

[79] ***.

[80] Lynn Branan estimated that 15 percent of domestic sales of certain seamless pipe are the result of Buy American policies. (TR, p. 60.)

[81] Certain seamless pipe products 1-4 are carbon products as they meet ASTM A-106 grade B, ASTM A-53, and API 5L grade B specifications. Certain seamless pipe product 5 is an alloy product as it meets ASTM A-335 Grade P11 specifications.

[82] No prices for product 5, an alloy product, were reported for the subject imports from Argentina, Brazil, and Germany.

Table 21
Product 1: Weighted-average net f.o.b. prices for sales reported by U.S. producers and importers and margins of under/(over)selling, by quarters, Jan. 1991-Mar. 1994

* * * * * * *

Table 22
Product 2: Weighted-average net f.o.b. prices for sales reported by U.S. producers and importers and margins of under/(over)selling, by quarters, Jan. 1991-Mar. 1994

* * * * * * *

Table 23
Product 3: Weighted-average net f.o.b. prices for sales reported by U.S. producers and importers and margins of under/(over)selling, by quarters, Jan. 1991-Mar. 1994

* * * * * * *

Table 24
Product 4: Weighted-average net f.o.b. prices for sales reported by U.S. producers and importers and margins of under/(over)selling, by quarters, Jan. 1991-Mar. 1994

* * * * * * *

Table 25
Product 5: Weighted-average net f.o.b. prices for sales reported by U.S. producers and importers and margins of under/(over)selling, by quarters, Jan. 1991-Mar. 1994

* * * * * * *

In general, U.S. producers' weighted-average prices for all products showed declining trends through the period examined. Prices for Argentine, Brazilian, and German products 1-4 generally declined during the period for which prices were reported. No prices for Italian products 3 *** were reported.[83] Italian prices for products 1, 2, and 5 generally declined, while prices reported for product 4 were sporadic, but increased moderately overall. Average quarterly quantities for products 1-5 sold by U.S. producers were significantly higher than for the subject imports. U.S. producers' and importers' quantities sold for products 1-5, expressed in short tons, are as follows:

Product	U.S.	Argentina	Brazil	Italy	Germany
	*	*	*	*	*

The majority of possible price comparisons for products 1-2 (pressure pipe) show that subject imports undersold the domestic products. Conversely, the majority of price comparisons for products 3-5 (standard and line pipe) show overselling for the subject imports. Instances of

[83] ***. These prices ranged from $*** to $*** per ton on quantities sold ranging from *** to *** tons. According to ***. ***. (Staff interview, July 18, 1994)

underselling, overselling, and total selling price comparisons for the subject products, by country, are as follows:

Country	Underselling	Overselling	Total
Argentina--	33	14	47
Brazil-------	26	19	45
Italy---------	14	4	18
Germany---	10	19	29
Total------	83	62	139

U.S. producers' weighted-average prices for 1-inch schedule 80 seamless pipe (product 1) and 1.5-inch schedule 80 seamless pipe (product 2) *** per ton and *** per ton, respectively. Prices for 2.5-inch schedule 80 seamless pipe (product 3) and 4.0-inch schedule 80 (product 4) *** percent, respectively, during the period examined. Finally, prices for 0.75-inch schedule 80 alloy seamless pipe (product 5) were reported in 5 of 13 quarters, ranging between $*** and $*** per ton. Quarterly average quantities sold were *** short tons for products 1-5, respectively.

Argentine seamless pipe[84]

Prices for product 1 and 2 imported from Argentina were reported for 11 of the 13 quarters of the period examined. Prices *** percent overall from $*** to $*** per ton for both products.[85] Prices for product 3 and 4 *** percent, respectively, from $*** to $*** per ton and from $*** to $*** per ton. Quarterly average quantities sold were *** short tons for products 1-4, respectively. In 33 of the 47 quarters for which price comparisons were possible the Argentine products were priced lower than the domestic products, by margins ranging from 0.4 to 31.1 percent. The Argentine product was priced higher than the domestic product in 14 instances, by margins ranging from 1.3 to 11.0 percent. The majority of underselling instances were for comparisons of pressure pipe prices, while all instances of overselling were for standard and line pipe price comparisons.

Brazilian seamless pipe[86]

Prices for product 1 imported from Brazil *** percent from $*** to $*** per ton during the period examined.[87] Product 2 prices *** during the period examined. Prices for Brazilian product 3 were reported for 8 of the 13 quarters examined. These prices *** percent between January-March 1991 and October-December 1993. Brazilian product 4 prices generally ***. During the remaining three quarters, prices *** per ton on *** quantities sold. Overall, product 4 prices *** percent during the period examined. Average quarterly quantities sold for Brazilian products 1-4 were *** short tons, respectively. In 26 of the 45 quarters for which price comparisons were possible the Brazilian products were priced lower than the domestic products, by margins ranging from 1.5 to 27.4 percent. The Brazilian product was priced higher than the domestic product in 19 instances, by margins ranging from 0.5 to 23.8 percent. The majority of underselling instances were for

[84] *** reported prices for products 1-4 imported from Argentina. No prices were reported for Argentine product 5.
[85] ***.
[86] *** reported prices for products 1-4 imported from Brazil. No prices were reported for Brazilian product 5.
[87] ***.

comparisons of pressure pipe prices, while nearly all instances of overselling were for standard and line pipe price comparisons.

German seamless pipe[88]

German prices for product 1 were reported in 6 of the 13 quarters examined.[89] Prices *** percent from $*** to $*** per ton on quantities ranging from *** to *** tons. Product 2 prices were reported for 4 of the 13 quarters examined, ranging from $*** to $*** per ton. Prices for products 3 and 4 *** overall during the period examined. Product 3 prices *** from $*** to $*** per ton and product 4 prices *** from $*** to $*** per ton during the period. Quarterly average quantities sold were *** short tons for products 1-4, respectively. In 10 of the 29 quarters for which price comparisons were possible the German products were priced lower than the domestic products, by margins ranging from 4.9 to 27.0 percent. The German product was priced higher than the domestic product in 19 instances, by margins ranging from 1.8 to 26.0 percent. The majority of underselling instances were for comparisons of pressure pipe prices, while nearly all instances of overselling were for standard and line pipe price comparisons.

Italian seamless pipe[90]

Prices for Italian product 1 and 2 were reported only for the last 7 quarters of the period examined. Product 1 prices trended ***, a *** overall. Prices for product 2 *** percent from $*** to $*** per ton during July-September 1992 to January-March 1994. Product 5 prices ranged from $*** to $*** per ton on limited quantities during 12 of the 13 periods examined. Reported quantities sold were 1 ton or less for the quarters for which prices were reported. Average quarterly quantities sold for Italian products 1, 2, and 5 were *** short tons, respectively. In 14 of the 18 quarters for which price comparisons were possible the Italian products were priced lower than the domestic products by margins ranging from 6.6 to 28.0 percent. The Italian product was priced higher than the domestic product in four instances, by margins between 5.9 and 123.7 percent. All underselling instances were for comparisons of pressure pipe prices, while instances of overselling were for alloy standard and line pipe price comparisons.

Lost Sales and Lost Revenues

The petitioner and the four other U.S. producers indicated lost sales and revenues due to certain seamless pipe imported from the subject countries in these investigations.[91] Collectively, U.S. producers alleged lost sales of $*** and lost revenues of $*** due to the subject imports. ***.[92] ***.[93] The following are reports of the conversations between Commission staff and those

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[88] *** reported prices for products 1-4 imported from Germany. No prices were reported for German product 5.

[89] No product 1 prices were reported for 1991.

[90] *** reported prices for products imported from Italy. Prices were not reported for Italian products 3 and 4.

[91] *** could not provide specific details of lost sale and revenue allegations, but indicated increasing discounts from 5 to nearly 20 percent due to increasing price pressure from the subject imports during the period examined.

[92] *** due to imports from Brazil. However, according to ***, ***. Consequently, staff was unable to investigate the lost sale allegation.

[93] *** in a lost sale allegation of $*** due to imports from Argentina. Staff was unable to contact representatives of ***. According to ***, ***.

purchasers who could be reached and were willing to discuss price competition between U.S.-produced certain seamless pipe and the subject imports.[94]

Lost Sales

***.[95] ***.[96] [97] *** questioned several of the sizes and quantities alleged. For example, ***. Nevertheless, *** confirmed purchasing Brazilian, German, and Italian products at the alleged prices when domestic product was offered at the alleged prices. *** added that nearly *** percent of the firm's seamless pipe purchases, by volume, are from domestic mills, due in part to customers' preference for domestic pipe and ***'s desire to maintain existing supply relationships with U.S. mills. *** couldn't quantify the volume of sales resulting from Buy American purchasing policies, but stated that such sales continue to decline.

*** lost sale allegations totaling *** tons of certain seamless pipe valued at $*** involving imports from ***. *** an initial price of ***, which was rejected in lieu of *** product priced at ***, respectively. *** confirmed the allegations, stating that a *** entertained bids on the *** product at the alleged quantities and prices, but eventually purchased certain seamless pipe from the *** producer ***. *** added that currently *** is attempting a price increase on small diameter seamless pipe. According to *** has no domestic purchase requirements, but does prefer to purchase from U.S. mills due to availability and quality. *** stated that U.S. and Japanese producers, Mannesmann of Germany, and Dalmine of Italy produce the highest quality seamless pipe.

*** to *** due to competition from Argentine and Brazilian imports during ***. *** asserted that ***, the firm quoted *** an initial price of $*** per ton for *** tons of line pipe, but lost the sales due to imports priced at $*** and $*** per ton from Argentina and Brazil, respectively. *** could not comment on the allegations specifically, but stated that *** attempts to purchase seamless pipe from domestic and import sources based on a combination of factors including price, availability, service records, and delivery times. In instances where nonprice factors are comparable between domestic and import sources, price becomes the determining factor. The firm prefers to support the U.S. producers, but *** is generally not price competitive with imports and, although ***.[98] In addition, *** stated that with the availability of quality seamless pipe from several sources, and with continued downsizing and restructuring occurring in the refinery and chemical processing industries, price has become very important.

*** due to imports from ***. *** could not recall the specific sale but reported that on several instances *** have refused to provide product. In these instances, *** was told that U.S. producers were not taking on additional distributors in the area, and *** was referred to other local distributors currently purchasing from *** to meet ***'s seamless pipe needs.[99] *** stated that as a result, the firm continues to purchase seamless pipe imports, including the subject imports.

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[94] The following discussions accounted for 73.3 and 78.0 percent of lost revenue and lost sale allegations, respectively, submitted in these investigations.

[95] ***.

[96] Each order specified numerous size and quantity combinations ranging between *** and *** and between *** and *** tons.

[97] No lost sales were alleged due to imports from Argentina.

[98] ***.

[99] James Hill, President of Quanex, stated that Quanex requires that new distributors carry product inventory, are financially capable of meeting payables, and purchase an initial order in excess of 100 tons. (TR, p. 63.)

Lost Revenues

***. *** stated that the quantities, initial and accepted U.S. producer's prices, and prices for Brazilian and Italian imports were correct. *** indicated that the U.S. mill approached *** with bids for material ordered by a *** customer that had previously been purchasing imported certain seamless pipe. The *** and attempts to secure the most favorable pricing available. *** stated that ***'s prices were accepted once reduced from the levels quoted initially.

. *** asserted that initial price quotes ranging between $ and $*** per ton were subsequently reduced to between $*** and $*** per ton due to import competition from Argentine imports. *** confirmed the sales but stated that the rejected prices were Gulf Coast area prices, similar to a list price, whereas the accepted prices were an effort to meet import competition, but not necessarily from Argentina. According to ***, the quoted domestic mill's initial prices were higher than several possible import sources.

*** alleged lost revenues of certain seamless pipe valued at $***[100] to *** due to competition from *** imports during September-November 1992. *** asserted that initial price quotes ranging from $*** to $*** per ton for the requested products were reduced to $*** to $*** per ton due to Brazilian product available at prices between $*** and $*** per ton. *** confirmed that U.S.-producers' prices for 2-4 inch certain seamless pipe ranged between $*** to $*** per ton while *** product prices were $*** to $*** per ton during September-November 1992. *** stated that *** lowered its price to $*** to $*** per ton for products *** purchased in the latter half of 1992. During 1992 prices for *** and *** 2-4-inch certain seamless pipe were commonly lower than domestic product, approximately $*** per ton depending on size and volume purchased. *** further stated that once a supplier meets the required stenciling standard, price becomes the dominant purchasing factor. *** prefers to source domestically produced pipe but has no explicit domestic purchase requirements.

*** in lost revenue allegations totaling $*** due to competition from German and Italian imports during February-May 1992.[101] In the lost revenue allegations, *** asserted that initial price quotes between $*** and $*** per ton were reduced to between $*** to $*** per ton to secure sales competing with German and Italian product priced between $*** and $*** per ton. *** couldn't verify the specifics of the allegations, but stated that during 1992 certain seamless pipe prices for German and Italian imports were approximately $*** to $*** per ton, while domestic product prices were $*** to $*** per ton for the sizes specified. *** purchases both domestic and imported certain seamless pipe, the majority of the latter from ***.

*** allegations of lost revenues totaling $*** due to competition from Brazilian imports. *** asserted that during July of 1991 and September of 1992 initial prices quotes ranging from $*** to $*** per ton for various standard certain seamless pipe between 2 and 4 inches were rejected due to Brazilian product available at prices between $*** and $*** per ton. *** stated that the quantities, accepted U.S. producer's prices, and prices for Brazilian imports were correct for purchases made for their *** location. *** added that several U.S. firms have elected to offer a lower price structure in certain geographic areas, particularly the Gulf Coast region, to compete with imports. Under such pricing structure *** could purchase certain seamless pipe for its *** location

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[100] These lost revenue allegations involved multiple orders totaling *** various specified size and quantity combinations of standard and line pipe. Sizes ranged from *** to *** tons.

[101] These lost revenue allegations involved multiple orders totaling *** various specified size and quantity combinations of standard and line pipe. Sizes ranged from *** to *** and quantities totaled *** tons.

at a lower price than for an identical order for its *** location. The prices allegedly rejected, ranging from $*** to $*** per ton, were reflective of prices generally quoted in markets outside the Gulf Coast region, not those typically entertained for purchase orders for the firm's *** location. *** indicated that *** attempts to maintain a consistent supply relationship with U.S. producers given that competitive prices exist. When prices of comparable domestic and imported seamless pipe vary more than *** percent the firm will frequently purchase the lower-priced product regardless of country of origin.

*** due to competition from Brazilian imports during April 1992. *** per ton due to Brazilian product priced at $*** per ton. *** confirmed purchasing the U.S. product at the alleged quantities for the prices alleged. *** confirmed that the U.S. producer reduced its price to compete with Brazilian imports. *** further indicated that U.S. producers customarily offer more favorable nonprice factors (delivery times, availability, and service) than imports. Consequently, when *** purchases imported product despite availability of domestic product, it's most often due to the price advantage of imports.

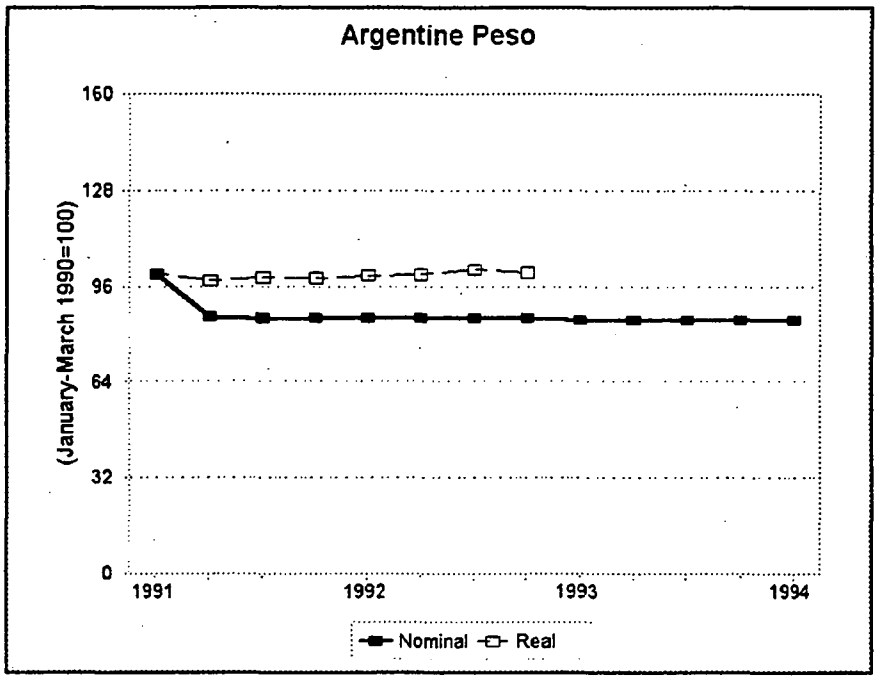
Exchange Rates

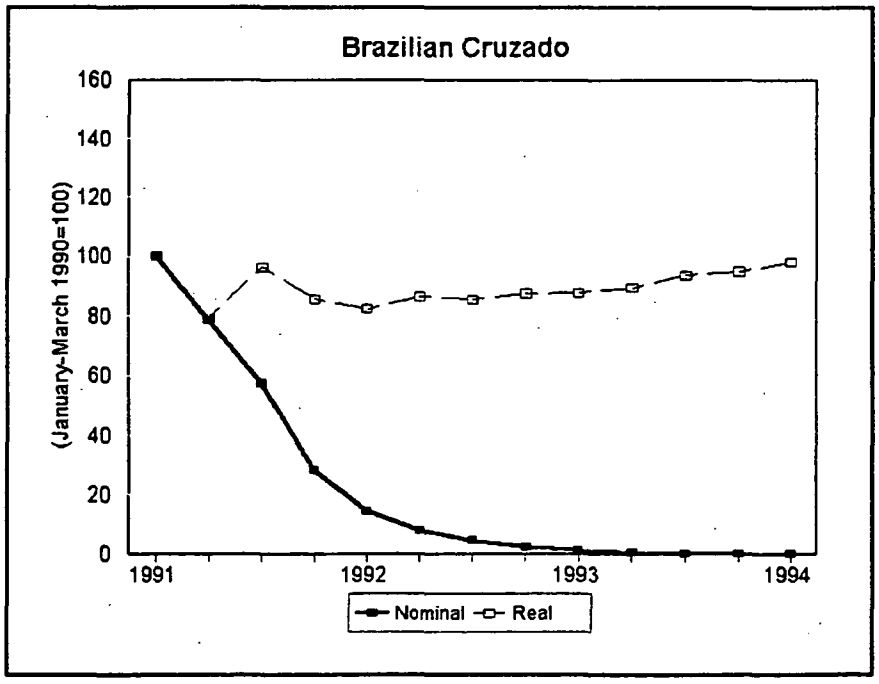
Quarterly data reported by the International Monetary Fund indicate that the currencies of Brazil, Germany, and Italy depreciated in relation to the U.S. dollar over the period January-March 1991 through January-March 1994 (figure 4).

The nominal values of the Argentine, Brazilian, German, and Italian currencies depreciated by 15.4, 100.0, 11.2, and 31.8 percent, respectively during the period examined. When adjusted for movements in producer price indexes in the United States and the specified countries, the real value of the Argentine currency showed a modest appreciation of 0.6 percent during the period for which data were available.[102] Conversely, the Brazilian, German, and Italian currencies depreciated by 1.9, 10.2, and 25.9 percent, respectively during the period examined.

[102] No data were available for the Argentine currency for the period Jan.-Mar. 1993 through Jan.-Mar. 1994.

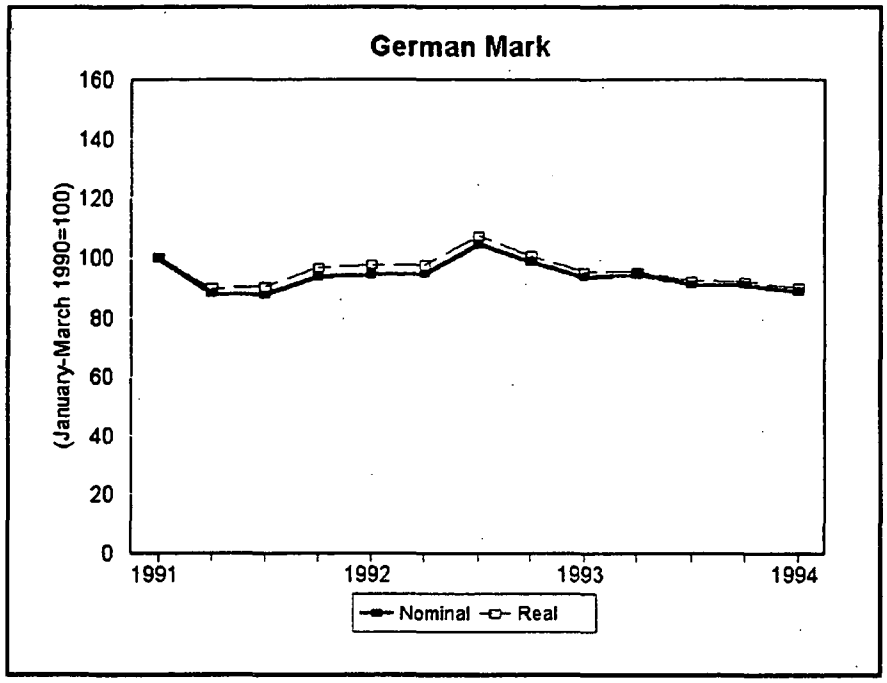
Figure 4
Exchange rates: Indexes of nominal and real exchange rates between the U.S. dollar and the currencies of Argentina, Brazil, Germany, and Italy by quarters, Jan.-Mar. 1991 through Jan.-Mar. 1994

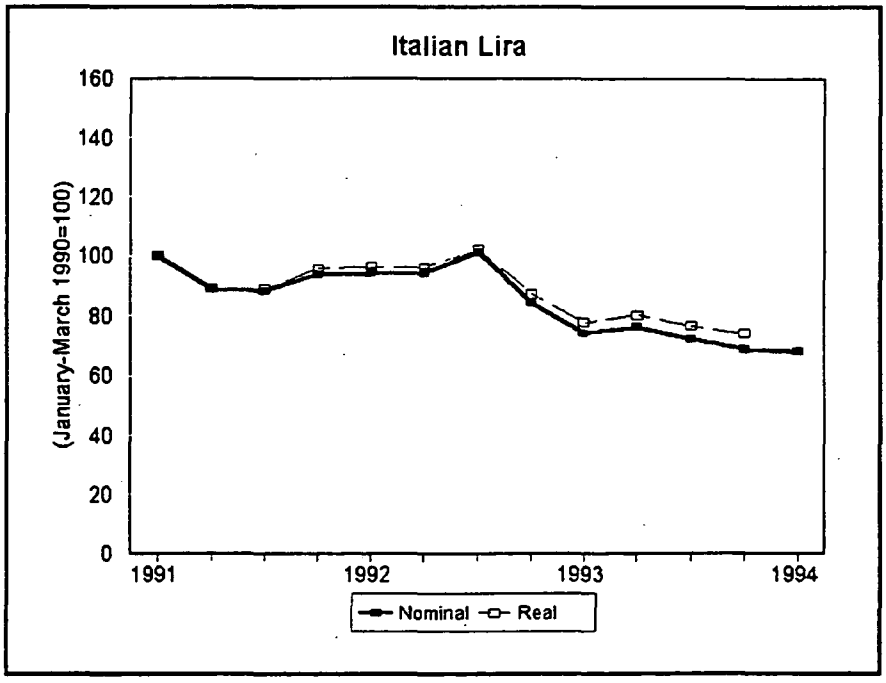




Continued--

Figure 4--Continued
Exchange rates: Indexes of nominal and real exchange rates between the U.S. dollar and the currencies of Argentina, Brazil, Germany, and Italy by quarters, Jan.-Mar. 1991 through Jan.-Mar. 1994





Source: International Monetary Fund, *International Financial Statistics*, June 1994.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-362 and 731-TA-707-710 (Preliminary)]

Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe From Argentina, Brazil, Germany, and Italy

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of a preliminary countervailing duty investigation No. 701-TA-362 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)) and of the institution of preliminary antidumping investigations Nos. 731-TA-707, 708, 709, and 710 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Italy of certain seamless carbon and alloy standard, line, and pressure steel pipe that are alleged to be subsidized by the Government of Italy and by reason of imports from Argentina, Brazil, Germany, and Italy of certain seamless carbon and alloy standard, line, and pressure steel pipe that are alleged to be sold in the United States at less than fair value. Such imports are provided for in subheadings 7304.10.10, 7304.10.50, 7304.31.60, 7304.39.00, 7304.51.50, 7304.59.60, and 7304.59.80 of the Harmonized Tariff Schedule of the United States. The Commission must complete preliminary

antidumping investigations in 45 days, or in this case by August 8, 1994.

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

EFFECTIVE DATE: June 23, 1994.

FOR FURTHER INFORMATION CONTACT: Debra Baker (202–205–3180), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202–205–1895 (N, 8, 1).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on June 23, 1994, on behalf of the Gulf States Tube Division of Quanex Corp., Rosenberg, TX.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these preliminary investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on July 14, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Debra Baker (202–205–3180) not later than July 11, 1994, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 19, 1994, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

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

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to section 207.12 of the Commission's rules.

Issued: June 28, 1994.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 94–16035 Filed 6–29–94; 8:45 am]

BILLING CODE 7020-02-P

International Trade Administration

[A-357-809; A-351-826; A-428-820; and A-475-814]

Initiation of Antidumping Duty Investigations: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Argentina, Brazil, Germany and Italy

AGENCY: Import Administration, International Trade Administration, Commerce.

EFFECTIVE DATE: July 20, 1994.

FOR FURTHER INFORMATION CONTACT: Kimberly Hardin, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482-0371.

INITIATION OF INVESTIGATIONS:

The Petition

On June 23, 1994, we received four petitions filed in proper form by Gulf States Tube Division of Quanex Corporation (petitioner). In accordance with section 732(b) of the Tariff Act of 1930, as amended (the Act) and 19 CFR 353.12 (1994), the petitioner alleges that small diameter circular seamless carbon and alloy steel standard, line and pressure pipe (seamless pipe) from Argentina, Brazil, Germany and Italy is being, or is likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has stated that it has standing to file the petitions because it is an interested party, as defined under section 771(9)(C) of the Act, and because the petitions were filed on behalf of the U.S. industry producing the product subject to these investigations. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, these petitions, it should file a written notification with the Assistant Secretary for Import Administration.

Scope of Investigations

For purposes of these investigations, seamless pipes are seamless carbon and alloy (other than stainless) steel pipes, of circular cross-section, not more than 114.3mm (4.5 inches) in outside diameter, regardless of wall thickness, manufacturing process (hot-finished or cold-drawn), end finish (plain end,

bevelled end, upset end, threaded, or threaded and coupled), or surface finish. These pipes are commonly known as standard pipe, line pipe or pressure pipe, depending upon the application. They may also be used in structural applications.

The seamless pipes subject to these investigations are currently classifiable under subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25 of the Harmonized Tariff Schedule of the United States (HTSUS).

The following information further defines the scope of these investigations, which covers pipes meeting the physical parameters described above:

Specifications, Characteristics and Uses: Seamless pressure pipes are intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gasses in industrial piping systems. They may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the American Society for Testing and Materials (ASTM) standard A–106 may be used in temperatures of up to 1000 degrees fahrenheit, at various American Society of Mechanical Engineers (ASME) code stress levels. Alloy pipes made to ASTM standard A–335 must be used if temperatures and stress levels exceed those allowed for A–106 and the ASME codes. Seamless pressure pipes sold in the United States are commonly produced to the ASTM A–106 standard.

Seamless standard pipes are most commonly produced to the ASTM A–53 specification and generally are not intended for high temperature service. They are intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other liquids and gasses in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperatures but must not exceed relevant ASME code requirements.

Seamless line pipes are intended for the conveyance of oil and natural gas or other fluids in pipe lines. Seamless line pipes are produced to the API 5L specification.

Seamless pipes are commonly produced and certified to meet ASTM A–106, ASTM A–53 and API 5L specifications. Such triple certification of pipes is common because all pipes meeting the stringent A–106 specification necessarily meet the API 5L and ASTM A–53 specifications. Pipes meeting the API 5L specification necessarily meet the ASTM A–53 specification. However, pipes meeting the A–53 or API 5L specifications do not necessarily meet the A–106 specification. To avoid maintaining separate production runs and separate inventories, manufacturers triple certify the pipes. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers.

The primary application of ASTM A–106 pressure pipes and triple certified pipes is in pressure piping systems by refineries, petrochemical plants and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear), and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. A minor application of this product is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. However, A–106 pipes may be used in some boiler applications.

The scope of these investigations includes all multiple-stenciled seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, whether or not also certified to a non-covered specification. Standard, line and pressure applications are defining characteristics of the scope of these investigations. Therefore, seamless pipes meeting the physical description above, but not produced to the A–106, A–53, or API 5L standards shall be covered if used in an A–106, A–335, A–53 or API 5L application.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in A–106 applications. These specifications include A–162, A–192, A–210, A–333, and A–524. When such pipes are used in a standard, line or pressure pipe application, such products are covered by the scope of these investigations.

Specifically excluded from these investigations are boiler tubing, mechanical tubing and oil country tubular goods except when used in a standard, line or pressure pipe application. Also excluded from these investigations are redraw hollows for cold-drawing when used in the production of cold-drawn pipe or tube.

Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

Request for Comments From Interested Parties

The scope contained in the petitions, which has been slightly clarified in the above "Scope of Investigations" section, contains the clause that products used in standard, line or pressure pipe applications be included in the scope, regardless of whether they meet A–106, A–335, A–53 or API 5L standards. Implementing this clause would require some type of end-use certification. Given the burden on Customs and the difficulty involved in administering end-use certifications, the Department generally avoids end-use as a scope criterion. *See Final Determination of Sales at Less Than Fair Value: Certain Alloy and Carbon Hot-Rolled Bars, Rods, and Semifinished Products of Special Bar Quality Engineered Steel from Brazil,* 58 FR 31496 (June 3, 1993). However, because petitioner has alleged that circumvention may occur if end-use is not part of any order resulting from these investigations, we are requesting comments regarding end-use as a criterion for the scope of these investigations. Petitioner has based its allegation on circumstances that occurred in the investigations of *Preliminary Affirmative Determination of Scope Inquiry on Antidumping Duty Orders on Certain Circular Welded Non-Alloy Steel Pipe from Brazil, the Republic of Korea, and Mexico,* 59 FR 1929 (January 13, 1994). Petitioner has identified specific possible substitution products for the scope merchandise. Petitioner has also indicated that, while it is not aware at this time of substitution occurring, it may occur in the future should antidumping duties be assessed on seamless standard, line and pressure pipe. Therefore, we are including end-use in the scope for purposes of initiation; however, we intend to consider its appropriateness further and we invite comments from interested parties regarding the scope information presented above under the "Scope of Investigations" section of this notice. Specifically, we will examine comments that address "end-use" as a scope criterion. Interested parties are invited to comment on the following: (1) Whether or not end-use is an appropriate criterion for the merchandise described in the "Scope of Investigations" section of this notice; (2) how the Department would be informed when substitution is occurring, *i.e.*, a trigger mechanism; (3) at what point the

Department should implement suspension of liquidation and use of end-use certificates for products meeting the physical parameters described in the scope other than those stenciled A-106, A-335, A-53 and/or API 5L; (4) what specific characteristics or factors the Department should evaluate regarding end-use as a scope criterion; (5) what information should be provided on an end-use certificate; (6) precise details as to how the Department and Customs should administer any antidumping duty orders that result from these investigations given end-use as a scope criterion; and (7) the universe of products that could possibly be substituted for the subject merchandise.

Finally, we invite comments from parties on whether the products within the scope of these investigations constitute more than one class or kind of merchandise. Parties should include an analysis using the following factors: (1) The physical characteristics of the merchandise; (2) the expectations of the ultimate purchaser; (3) the channels of trade; (4) the ultimate use of the product; and (5) the cost.

Parties interested in commenting on the items mentioned above should submit their comments no later than close of business October 21, 1994. Rebuttal comments will be accepted no later than close of business October 31, 1994.

United States Price and Foreign Market Value

For purposes of these initiations, no adjustments were made to petitioner's calculations. If it becomes necessary at a later date to consider these petitions as a source of best information available (BIA), we may review all of the bases for the petitioner's estimated dumping margins in determining BIA.

Argentina

For Argentina, petitioner based United States price (USP) on U.S. price quotes to an end-user. Petitioner made adjustments for transportation and insurance charges, port and handling charges, and U.S. duties paid. Petitioner adjusted USP to account for the tax levied on seamless pipe in the home market. Petitioner also calculated the amount of the tax adjustment that was due solely to the inclusion of price deductions in the original tax base.

Petitioner based foreign market value (FMV) on home market prices to end-users. Petitioner made adjustments for distributor mark-up, transportation, home market taxes, and a tax offset to account for the amount of tax that was due solely to the inclusion of price deductions in the original tax base.

The range of dumping margins of seamless pipe from Argentina based on a comparison of USP to FMV alleged by petitioner is 66.57 percent to 108.13 percent.

Brazil

For Brazil, petitioner based USP on U.S. price quotes to a distributor. Petitioner made adjustments for freight and insurance, port and handling charges and U.S. duties paid. Petitioner adjusted USP to account for the tax levied on seamless pipe in the home market. Petitioner also calculated the amount of the tax adjustment that was due solely to the inclusion of price deductions in the original tax base. Finally, petitioner adjusted USP to account for the difference in level of trade between the home market and U.S. market.

Petitioner based FMV on home market price quotes to an end-user. Petitioner adjusted the prices for home market taxes not included in the prices. Petitioner made a tax offset for the amount of tax that was due solely to the inclusion of price deductions in the original tax base.

The range of dumping margins of seamless pipe from Brazil based on a comparison of USP to FMV alleged by petitioner is 79.83 percent to 130.08 percent.

Germany

For Germany, petitioner based USP on U.S. price quotes to an end-user. Petitioner made adjustments for distributor mark-up, freight and insurance, port and handling charges and U.S. duties paid.

Petitioner was unable to obtain home market prices. Moreover, petitioner was unable to develop a meaningful constructed value as petitioner claims it operates a substantially different production process than the German manufacturer of the subject merchandise. Therefore, petitioner based FMV on third country prices in Britain, which was the only information reasonably available to it. Petitioner obtained ex-warehouse and delivered prices from three British distributors of subject merchandise from Germany. Petitioner made adjustments for the distributor mark-up, delivery charges, where appropriate, and transportation charges.

The range of dumping margins of seamless pipe from Germany based on a comparison of USP to FMV alleged by petitioner is 11.67 percent to 57.72 percent.

Italy

For Italy, petitioner based USP on U.S. price quotes to an end-user. Petitioner made adjustments for distributor mark-up, transportation and insurance charges, port and handling charges, and U.S. duties paid. Petitioner adjusted the prices for home market taxes. Petitioner made a tax offset for the amount of tax that was due solely to the inclusion of price deductions in the original tax base.

Petitioner based FMV on home market price quotes to an end-user. Petitioner made adjustments for discounts on cash sales, distributor mark-up and freight charges. Petitioner adjusted the prices for home market taxes and made a tax offset for the amount of tax that was due solely to the inclusion of price deductions in the original tax base.

The range of dumping margins of seamless pipe from Italy based on a comparison of USP to FMV alleged by petitioner is 4.57 percent to 11.26 percent.

Initiation of Investigations

We have examined the petitions on seamless pipe from Argentina, Brazil, Germany and Italy, and have found that these petitions meet the requirements of section 732(b) of the Act and 19 C.F.R. 353.12. Therefore, we are initiating antidumping duty investigations to determine whether imports of seamless pipe from Argentina, Brazil, Germany and Italy are being, or are likely to be, sold in the United States at less than fair value.

Preliminary Determination by the International Trade Commission

The International Trade Commission (ITC) will determine by August 8, 1994, whether there is a reasonable indication that imports of seamless pipe from Argentina, Brazil, Germany and Italy are materially injuring, or threaten material injury to, a U.S. industry. A negative ITC determination will result in the investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: July 13, 1994.

Barbara R. Stafford,

Deputy Assistant Secretary for Investigations.

[FR Doc. 94-17680 Filed 7-19-94; 8:45 am]

BILLING CODE 3510-DS-P

[C-475-815]

Notice of Initiation of Countervailing Duty Investigation: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Italy

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

EFFECTIVE DATE: August 20, 1994.

FOR FURTHER INFORMATION CONTACT: Vincent Kane, Office of Countervailing Investigations, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-2815.

Initiation

The Petition

On June 23, 1994, Gulf States Tubes, a division of Quanex Corporation, (hereinafter "petitioner") filed with the Department of Commerce ("the Department") a countervailing duty petition on behalf of the United States industry producing small diameter circular seamless carbon and alloy steel standard, line and pressure pipe (hereinafter "seamless pipe"). In accordance with section 701 of the Tariff Act of 1930, as amended ("the Act"), petitioner alleges that manufacturers, producers, or exporters of the subject merchandise in Italy receive countervailable subsidies.

Injury Test

Because Italy is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation. Accordingly, the U.S. International Trade Commission ("ITC") must determine whether imports of the subject merchandise from Italy materially injure, or threaten material injury to, a U.S. industry.

Standing

Petitioner has stated that it has standing to file the petition because it is an interested party as defined in sections 771(9)(C) and 771(9)(D) of the Act and that it has filed the petition on behalf of the U.S. industry producing the like product. If any interested party, as described in sections 771(9)(C), (D), (E), or (F), wishes to register support for, or opposition to, this petition, such party should file written notification with the Assistant Secretary for Import Administration, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

Scope of the Investigation

For purposes of this investigation, seamless pipes are seamless carbon and alloy (other than stainless) steel pipes, of circular cross-section, not more than 114.3 mm (4.5 inches) in outside diameter, regardless of wall thickness, manufacturing process (hot-finished or cold-drawn), end finish (plain end, bevelled end, upset end, threaded, or threaded and coupled), or surface finish. These pipes are commonly known as standard pipe, line pipe or pressure pipe, depending upon the application. They may also be used in structural applications.

The seamless pipes subject to this investigation are currently classifiable under subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.60.50, 7304.39.00.16, 7304.39.00.20, 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.51.50.05, 7304.51.50.60, 7304.59.60.00, 7304.59.80.10, 7304.59.80.15, 7304.59.80.20, and 7304.59.80.25 of the Harmonized Tariff Schedule of the United States ("HTSUS").

The following information further defines the scope of this investigation, which covers pipes meeting the physical parameters described above:

Specifications, Characteristics and Uses: Seamless pressure pipes are intended for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas and other liquids and gasses in industrial piping systems. They may carry these substances at elevated pressures and temperatures and may be subject to the application of external heat. Seamless carbon steel pressure pipe meeting the American Society for Testing and Materials ("ASTM") standard A-106 may be used in temperatures of up to 1000 degrees fahrenheit, at various American Society of Mechanical Engineers ("ASME") code stress levels. Alloy pipes made to ASTM standard A-335 must be used if temperatures and stress levels exceed those allowed for A-106 and the ASME codes. Seamless pressure pipes sold in the United States are commonly produced to the ASTM A-106 standard.

Seamless standard pipes are most commonly produced to the ASTM A-53 specification and generally are not intended for high temperature service. They are intended for the low temperature and pressure conveyance of water, steam, natural gas, air and other liquids and gasses in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. Standard pipes (depending on type and code) may carry liquids at elevated temperatures but must not

exceed relevant ASME code requirements.

Seamless line pipes are intended for the conveyance of oil and natural gas or other fluids in pipe lines. Seamless line pipes are produced to the API 5L specification.

Seamless pipes are commonly produced and certified to meet ASTM A–106, ASTM A–53 and API 5L specifications. Such triple certification of pipes is common because all pipes meeting the stringent A–106 specification necessarily meet the API 5L and ASTM A–53 specifications. Pipes meeting the API 5L specification necessarily meet the ASTM A–53 specification. However, pipes meeting the A–53 or API 5L specifications do not necessarily meet the A–106 specification. To avoid maintaining separate production runs and separate inventories, manufacturers triple certify the pipes. Since distributors sell the vast majority of this product, they can thereby maintain a single inventory to service all customers.

The primary application of ASTM A–106 pressure pipes and triple certified pipes is in pressure piping systems by refineries, petrochemical plants and chemical plants. Other applications are in power generation plants (electrical-fossil fuel or nuclear), and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. A minor application of this product is for use as oil and gas distribution lines for commercial applications. These applications constitute the majority of the market for the subject seamless pipes. However, A–106 pipes may be used in some boiler applications.

The scope of this investigation includes all multiple-stenciled seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, whether or not also certified to a non-covered specification. Standard, line and pressure applications are defining characteristics of the scope of this investigation. Therefore, seamless pipes meeting the physical description above, but not produced to the A–106, A–53, or API 5L standards shall be covered if used in an A–106, A–335, A–53, or API 5L application.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in A–106 applications. These specifications include A–162, A–192, A–210, A–333, and A–524. When such pipes are used in a standard, line or pressure pipe application, such products are covered by the scope of this investigation.

Specifically excluded from this investigation are boiler tubing, mechanical tubing, and oil country tubular goods except when used in a standard, line or pressure pipe application. Also excluded from this investigation are redraw hollows for cold-drawing when used in the production of cold-drawn pipe or tube.

Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Request for Comments From Interested Parties

The scope contained in this investigation, which has been slightly clarified in the above "Scope of the Investigation" section, contains the clause that products used in standard, line or pressure pipe applications be included in the scope, regardless of whether they meet A–106, A–335, A–53 or API 5L standards. Implementing this clause would require some type of end-use certification. Given the burden on Customs and the difficulty involved in administering end-use certifications, the Department generally avoids end-use as a scope criterion. *See Final Determination of Sales at Less Than Fair Value: Certain Alloy and Carbon Hot-Rolled Bars, Rods, and Semifinished Products of Special Bar Quality Engineered Steel from Brazil*, 58 FR 31496 (June 3, 1993). However, because petitioner has alleged that circumvention may occur if end-use is not part of any order resulting from this investigation, we are requesting comments regarding end-use as a criterion for the scope of this investigation. Petitioner has based its allegation on circumstances that occurred in the investigations of *Preliminary Affirmative Determination of Scope Inquiry on Antidumping Duty Orders on Certain Circular Welded Non-Alloy Steel Pipe from Brazil, the Republic of Korea, and Mexico*, 59 FR 1929 (January 13, 1994). Petitioner has identified specific possible substitution products for the scope merchandise. Petitioner has also indicated that, while it is not aware at this time of substitution occurring, it may occur in the future should countervailing duties be assessed on seamless standard, line and pressure pipe. Therefore, we are including end-use in the scope for purposes of initiation; however, we intend to consider its appropriateness further and we invite comments from interested parties regarding the scope information presented above under the "Scope of the Investigation" section of this notice. Specifically, we will examine comments that address "end-use" as a scope criterion. Interested parties are invited to comment on the following: (1) Whether or not end-use is an appropriate criterion for the merchandise described in the "Scope of the Investigation" section of this notice; (2) how the Department would be informed when substitution is occurring, i.e., a trigger mechanism; (3) at what point the Department should implement suspension of liquidation and use of end-use certificates for products meeting the physical parameters described in the scope other than those stenciled A–106, A–335, A–53 and/or API 5L; (4) what specific characteristics or factors the Department should evaluate regarding end-use as a scope criterion; (5) what information should be provided on an end-use certificate; (6) precise details as to how the Department and Customs should administer any countervailing duty orders that result from this investigation given end-use as a scope criterion; and (7) the universe of products that could possibly be substituted for the subject merchandise.

Finally, we invite comments from parties on whether the products within the scope of this investigation constitute more than one class or kind of merchandise. Parties should include an analysis using the following factors: (1) The physical characteristics of the merchandise; (2) the expectations of the ultimate purchaser; (3) the channels of trade; (4) the ultimate use of the product; and (5) the cost.

Parties interested in commenting on the items mentioned above should submit their comments no later than close of business October 21, 1994. Rebuttal comments will be accepted no later than close of business October 31, 1994.

Allegation of Subsidies

Section 702(b) of the Act requires the Department to initiate a countervailing duty proceeding whenever an interested party files a petition, on behalf of an industry, that (1) alleges the elements necessary for an imposition of a duty under section 701(a), and (2) is accompanied by information reasonably available to petitioner supporting the allegations.

Initiation of a Countervailing Duty Investigation

The Department has examined the petition on seamless pipe from Italy and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702 of the Act, we are initiating a countervailing duty investigation to determine whether manufacturers,

producers, or exporters of seamless pipe from Italy receive subsidies.

We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Italy:

1. *1988/89 Equity Infusion.*
2. *Subsidized Loans under Law 675/77.*
3. *Grants under Law 193/84.*
4. *Retraining Grants.*
5. *Preferential Export Financing under Law 227/77.*
6. *Exchange Rate Guarantee Program under Law 796/76.*
7. *European Coal and Steel Community ("ECSC") Loans and Interest Rebates.*

We are not including the following programs alleged to be benefitting producers of the subject merchandise in Italy:

1. "Indirect" Equity Infusion

Petitioner has named Dalmine S.p.A. ("Dalmine") as the producer in Italy of the subject merchandise. Until 1989, Dalmine owned 51 percent of a subsidiary, Tubificio Dalmine Italsider S.p.A. ("Tubificio"). The remaining 49 percent was owned by Dalmine's parent company ILVA S.p.A. ("ILVA"), which is a government-owned steel producer. In 1989, Dalmine sold its shares in Tubificio to ILVA. Petitioner alleges that in return, Dalmine received a cash payment from ILVA which should be treated as an "indirect" equity infusion. The reasons cited by petitioner are that (1) Tubificio was essentially a worthless company because it made losses in the three years immediately prior to the sale, and (2) the cash paid by ILVA served as an indirect pass-through of illegal subsidies received by ILVA.

In previous cases involving the Italian steel industry, we have treated capital infusions into unequityworthy companies by government-owned holding companies such as Finsider S.p.A. ("Finsider") and the Istituto per la Ricostruzione Industriale ("IRI") as countervailable equity infusions. However, in those cases, the recipient companies were offering their own shares in exchange for cash. (*See, e.g., Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy,* ("*Electrical Steel*"), 59 FR 18357 (April 18, 1994).)

In the instant case, however, Dalmine sold shares in its subsidiary, Tubificio, to ILVA. Dalmine's parent and the other owner of Tubificio. ILVA's holding in Dalmine did not increase (absolutely or relatively) as a result of this transaction. Therefore, we do not view this as a direct or indirect equity infusion into Dalmine. Moreover, ILVA is not a holding company like IRI or Finsider, but an operating company. While the Department found in *Electrical Steel* and *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy,* ("*Certain Steel from Italy*"), 58 FR 37327 (July 9, 1993), that ILVA benefitted from subsidies, those subsidies were allocated to ILVA S.p.A.'s operations and not to its subsidiaries. Beyond its simple claim that the cash paid by ILVA served as an indirect pass-through of illegal subsidies received by ILVA, petitioner has provided no basis for believing that ILVA was channelling government funds to Dalmine.

On this basis, we are not including the "indirect" equity infusion in the investigation.

2. Secured and Unsecured Loans From Italian Banks

Petitioner maintains that Dalmine was uncreditworthy from 1978 through 1992. According to petitioner, all secured and unsecured loans obtained by Dalmine from Italian banks during these years are, therefore, countervailable. Petitioner states that, while it cannot outline the terms of the financing provided, the loans are countervailable because they were provided at interest rates lower than the rates that should have been charged to an uncreditworthy company.

Petitioner has not specified under which laws or programs the secured and unsecured loans are being provided, nor has petitioner provided information as to how this funding is specific to the steel industry (*see* the petition requirements in § 355.12(b)(7) of the Department's regulations). On this basis, we are not including the secured and unsecured loans in our investigation.

3. Debt Forgiveness in Connection With the 1981 and 1988 Restructuring Plans

Petitioner claims that in *Certain Steel from Italy,* the Department found that Finsider (the government-owned holding company for the steel industry until 1989) benefitted from government assumption of debt in connection with the 1981 and 1988 restructurings of the state-owned steel industry. Because Dalmine was a subsidiary of Finsider in those years, petitioner alleges that Dalmine benefitted from the debt forgiveness provided to Finsider in connection with these restructurings.

Regarding the 1981 debt forgiveness, the Department established in *Certain Steel from Italy* that Finsider assumed the debts of its subsidiary Italsider which we treated as a countervailable subsidy to Italsider. In the present case, however, petitioner has not provided any evidence that Dalmine benefitted from this debt forgiveness or that Finsider forgave Dalmine's debts.

With respect to the 1988 debt forgiveness, we found in *Certain Steel from Italy* that a portion of Finsider's liabilities was forgiven in connection with another restructuring of the state-owned steel industry undertaken from 1988–1990. We treated this forgiveness as a countervailable subsidy to ILVA, which was the respondent company in that investigation. However, in *Electrical Steel,* we focused our investigation on subsidies provided directly to the producer of the subject merchandise, rather than subsidies received by its parent company. Therefore, we did not treat the debt forgiveness provided to Finsider as a countervailable benefit in *Electrical Steel.*

In this case, petitioner has not shown that any debt forgiveness was provided directly to Dalmine or that a portion of the debt forgiven to Finsider in 1988 can be attributed to Dalmine. On this basis, we are not including the 1981 or 1988 instances of debt forgiveness provided to Finsider in our investigation.

4. European Investment Bank ("EIB") Loans

Petitioner claims that Dalmine received loans from the EIB in the early 1980s. While petitioner has not alleged that the EIB loan program itself represents a countervailable subsidy, petitioner contends that Dalmine received EIB loans at interest rates below the rates that should have been applied to an uncreditworthy company.

The Department has previously found EIB loans to be not countervailable (*see, e.g., Certain Steel Products from Belgium,* 58 FR 37273 at 37285 (July 9, 1993)). Because petitioner has not provided any new information that would cause us to change our earlier determination, we are not including the EIB loans in our investigation.

5. European Regional Development Fund ("ERDF") Subsidies

Petitioner claims that some loans obtained by Dalmine from the EIB and ECSC may have been subsidized by the ERDF, but has not presented any evidence in support of this allegation.

At verification of the responses submitted by the European Community ("EC") in *Certain Steel from Italy,* we found that ERDF grants are provided to regions whose development is lagging behind and to regions seriously affected by industrial decline. In addition, we found that rural regions with certain development problems are eligible for

ERDF aid. In the instant case, however, petitioner has not demonstrated that Dalmine has production facilities in the regions that are eligible for ERDF assistance. Moreover, there is no evidence in the petition or in previous investigations that ERDF grants are used to subsidize ECSC or EIB loans. For these reasons, we are not including the ERDF grants in our investigation.

6. Early Retirement Under Law 193/84

Petitioner alleges that Dalmine has used the early retirement provisions under Law 193/84 and that this program provided a countervailable subsidy to Dalmine. Petitioner requests that the Department treats benefits under Law 193/84 as non-recurring grants.

Dalmine's Annual Reports show that the company used early retirement pursuant to Law 193/84 in 1984 through 1987. In *Certain Steel from Italy*, the Department found early retirement, including the program provided under Law 193/84, to be countervailable. Because early retirement is a program we typically consider to be recurring (*see* the *General Issues Appendix* to *Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria*, 58 FR 37217 at 37226 (July 9, 1993), we countervailed the program as a recurring grant in *Certain Steel from Italy*.

At verification in *Electrical Steel*, Italian government officials explained that there were two laws providing for early retirement in 1992: Law 223/91 and Law 406/92. We found early retirement under Law 223/91 to be not countervailable in our final determination. We did not make a determination with respect to any other early retirement laws, including Law 193/84, because these laws were not used by the *Electrical Steel* respondent in the period of investigation. Petitioner has requested that, because the Department did not make a determination with respect to Law 193/84 in *Electrical Steel*, we should investigate whether Dalmine used early retirement under Law 193/84. However, information collected in *Electrical Steel* suggests that Law 193/84 has been superseded and petitioner has not presented any evidence to the contrary. There is no evidence in the petition that Dalmine used early retirement under Law 193/84 after 1987. Rather, petitioner apparently believe that we should change our practice and treat early retirement as a non-recurring benefit.

The last year for which we have been able to establish that Dalmine used early retirement is 1991. The Annual Report for that year shows that Dalmine used the early retirement program under Law 223/91, which we found to be not countervailable in *Electrical Steel*. Moreover, petitioner has not presented any information that would cause us to change our earlier determination that early retirement, if found countervailable, should be treated as a recurring grant. For these reasons, we are not including early retirement in our investigation.

7. Grants From the Cassa per il Mezzogiorno

Petitioner alleges that Dalmine has received grants from the Cassa per il Mezzogiorno ("Cazmez") which are directed to southern Italy. In *Certain Steel*, we found such grants to be countervailable because they were provided on a regional basis. Petitioner is not aware of any Dalmine plants outside of Bergamo, which is in the North, but points to Dalmine's Annual Reports which show that the company received Cazmez grants in the early and mid-1980s. Based on this finding, petitioner states that Dalmine must have a plant located in the South. Therefore, petitioner requests that the Department, in addition to the Cazmez grants, investigate a large number of other subsidy programs directed to the South, should we find that Dalmine maintains production facilities there.

From Dalmine's Annual Reports, we have found that the company formerly had two production facilities in the South, both of which produced welded pipe. Apart from these two plants, which were spun off in 1989, we have not found any other production facilities in the South. Because both the plants in the South produced welded pipe, which is not included in the scope of this investigation, we are not including the Cazmez grants or any other programs directed to the South in our investigation.

ITC Notification

Pursuant to section 702(d) of the Act, we have notified the ITC of this initiation.

Preliminary Determination by the ITC

The ITC will determine by August 8, 1994, whether there is a reasonable indication that an industry in the United States is being materially injured, or is threatened with material injury, by reason of imports from Italy of seamless pipe. Any ITC determination which is negative will result in the investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to 702(c)(2) of the Act and 19 CFR 355.13(b).

Dated: July 13, 1994.

Barbara R. Stafford,

Deputy Assistant Secretary for Investigations.

[FR Doc. 94-17681 Filed 7-19-94; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

Investigations Nos. 701-TA-362 and 731-TA-707-710 (Preliminary)

CERTAIN SEAMLESS CARBON AND ALLOY STANDARD, LINE, AND PRESSURE STEEL PIPE FROM ARGENTINA, BRAZIL, GERMANY, AND ITALY

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigations on July 14, 1994, in the Hearing Room, at the USITC Building, 500 E Street, SW, Washington, DC.

In support of the imposition of antidumping duties

Schagrin Associates--Counsel
Washington, DC
on behalf of--

The Gulf States Tube Division of Quanex Corporation

James C. Hill, President, Quanex Tube Group, and Vice President, Quanex Corp.
Lynn Branan, General Manager, Gulf States Tube Division

Roger B. Schagrin)
R. Alan Luberda) --OF COUNSEL

In opposition to the imposition of antidumping duties

Mudge Rose Guthrie Alexander & Ferdon--Counsel
Washington, DC
on behalf of--

Siderca S.A.I.C.
Siderca Corporation

Alfredo Indaco, President, Siderca Corporation

Seth Kaplan, Economist, Trade Resources Company

David Palmeter)
David P. Houlihan) --OF COUNSEL

Continued.

In opposition to the imposition of antidumping duties--Continued

Coudert Brothers--Counsel
Washington, DC
on behalf of--

Mannesmannröhren-Werke AG
Mannesmann Pipe and Steel Corporation
Mannesmann S.A.

Mark D. Herlach)
Kay C. Georgi) --OF COUNSEL

Rogers & Wells--Counsel
Washington, DC
on behalf of--

Dalmine S.p.A.
TAD USA, Inc.
Dalmine USA, Inc.

Alex Di Bagno--TAD USA, Inc.
Paul Standing--TAD USA, Inc.
Marvin Day--Executive Vice President of Sales, TAD USA, Inc.
Giovanni Antonietti, Marketing Manager, Dalmine Tubificio Industriali, SpA.

William Silverman)
Ryan Trainer) --OF COUNSEL

APPENDIX C

SUMMARY DATA CONCERNING THE U.S. MARKET

Table C-1
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit COGS are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				Jan.-Mar.--					Jan.-Mar.
Item	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	1993-94
U.S. consumption quantity:									
Amount	213,284	168,994	225,488	62,907	49,600	+5.7	-20.8	+33.4	-21.2
Producers' share 1/	46.4	63.1	64.1	76.6	75.2	+17.7	+16.7	+1.0	-1.3
Importers' share: 1/									
Argentina	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Italy	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
France	***	***	***	***	***	***	***	***	***
Canada	***	***	***	***	***	***	***	***	***
Spain	***	***	***	***	***	***	***	***	***
Total	53.6	36.9	35.9	23.4	24.8	-17.7	-16.7	-1.0	+1.3
U.S. consumption value:									
Amount	165,640	121,479	145,162	39,492	31,340	-12.4	-26.7	+19.5	-20.6
Producers' share 1/	50.4	64.5	65.8	77.2	74.6	+15.4	+14.1	+1.3	-2.5
Importers' share: 1/									
Argentina	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Italy	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
France	***	***	***	***	***	***	***	***	***
Canada	***	***	***	***	***	***	***	***	***
Spain	***	***	***	***	***	***	***	***	***
Total	49.6	35.5	34.2	22.8	25.4	-15.4	-14.1	-1.3	+2.5
U.S. importers' imports from--									
Argentina:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Brazil:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Germany:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Italy:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Subject sources:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Japan:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
France:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***

Continued.

Table C-1--Continued
Certain seamless carbon and alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit COGS are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				Jan.-Mar.--					Jan.-Mar.
Item	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	1993-94
Canada:									
U.S. shipments quantity..	***	***	***	***	***	***	***	***	***
U.S. shipments value.....	***	***	***	***	***	***	***	***	***
Unit value.....	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Spain:									
U.S. shipments quantity..	***	***	***	***	***	***	***	***	***
U.S. shipments value.....	***	***	***	***	***	***	***	***	***
Unit value.....	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
All sources:									
U.S. shipments quantity..	114,306	62,323	80,843	14,747	12,293	-29.3	-45.5	+29.7	-16.6
U.S. shipments value.....	82,160	43,067	49,632	9,015	7,952	-39.6	-47.6	+15.2	-11.8
Unit value.....	$719	$691	$614	$611	$647	-14.6	-3.9	-11.2	+5.8
U.S. producers'--									
Average capacity quantity..	233,393	251,925	247,650	63,517	61,668	+6.1	+7.9	-1.7	-2.9
Production quantity.....	105,709	108,078	147,330	51,809	39,446	+39.4	+2.2	+36.3	-23.9
Capacity utilization 1/....	33.9	32.5	46.2	58.6	47.7	+12.4	-1.3	+13.7	-10.8
U.S. shipments:									
Quantity.....	98,978	106,671	144,645	48,160	37,307	+46.1	+7.8	+35.6	-22.5
Value.....	83,480	78,412	95,530	30,477	23,388	+14.4	-6.1	+21.8	-23.3
Unit value.....	$847	$738	$662	$634	$627	-21.9	-12.9	-10.3	-1.1
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Exports/shipments 1/.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity..	13,848	9,676	5,059	11,496	5,813	-63.5	-30.1	-47.7	-49.4
Inventory/shipments 1/.....	***	***	***	***	***	***	***	***	***
Production workers.....	198	242	299	419	295	+51.0	+22.2	+23.6	-29.6
Hours worked (1,000s).....	481	585	715	237	171	+58.5	+29.7	+22.2	-27.8
Total comp. ($1,000).....	10,935	13,729	17,313	5,924	4,635	+58.3	+25.6	+26.1	-21.8
Hourly total compensation..	$24.25	$23.47	$24.21	$25.00	$27.11	-0.1	-3.2	+3.2	+8.4
Productivity (short tons per 1,000 hours).....	233.3	184.1	205.6	218.1	230.6	-11.9	-21.1	+11.7	+5.7
Unit labor costs.....	$103.91	$124.70	$117.79	$114.61	$117.56	+13.4	+22.7	-7.6	+2.6
Net sales--									
Quantity.....	102,179	107,237	147,545	48,709	37,431	+44.4	+5.0	+37.6	-23.2
Value.....	85,394	78,998	97,014	30,732	23,413	+13.6	-7.5	+22.8	-23.8
Cost of goods sold (COGS)..	73,281	75,460	90,377	28,513	23,783	+23.3	+3.0	+19.8	-16.6
Gross profit (loss).....	12,113	3,538	6,637	2,219	(370)	-45.2	-70.8	+87.6	-116.7
SG&A expenses.....	3,873	4,271	5,455	1,704	1,148	+40.8	+10.3	+27.7	-32.6
Operating income (loss)....	8,240	(733)	1,182	515	(1,518)	-85.7	-108.9	+261.3	-394.8
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	$717	$704	$613	$585	$635	-14.6	-1.9	-13.0	+8.5
COGS/sales 1/.....	85.8	95.5	93.2	92.8	101.6	+7.3	+9.7	-2.4	+8.8
Op.income (loss)/sales 1/..	9.6	(0.9)	1.2	1.7	(6.5)	-8.4	-10.6	+2.1	-8.2

1/ "Reported data" are in percent and "period changes" are in percentage points.
2/ An increase of less than 0.05 percentage points.
3/ A decrease of less than 0.05 percentage points.
4/ Not available.
5/ A decrease of less than 0.05 percent.
6/ An increase of 1,000 percent or more.
7/ An increase of less than 0.05 percent.

Note 1.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Data for tables C-2 and C-3 will not necessarily add to that in table C-1. A number of firms were unable to allocate certain data (particularly capacity and employment) among carbon certain seamless pipe and alloy certain seamless pipe. In other cases, firms could not completely reconcile their shipment data.

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

Table C-2
Certain seamless carbon steel standard, line, and pressure pipes up to 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

Table C-3
Certain seamless alloy steel standard, line, and pressure pipes up to 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * * * *

Table C-4
Seamless carbon and alloy steel standard, line, and pressure pipes up to and over 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit COGS are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				Jan.-Mar.--					Jan.-Mar.
Item	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	1993-94
U.S. consumption quantity:									
Amount	495,999	487,548	558,327	147,722	142,390	+12.6	-1.7	+14.5	-3.6
Producers' share 1/	63.6	71.1	70.0	80.5	74.9	+6.4	+7.4	-1.1	-5.6
Importers' share: 1/									
Argentina (subject)	***	***	***	***	***	***	***	***	***
Brazil (subject)	***	***	***	***	***	***	***	***	***
Germany (subject)	***	***	***	***	***	***	***	***	***
Italy (subject)	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total	36.4	28.9	30.0	19.5	25.1	-6.4	-7.4	+1.1	+5.6
U.S. consumption value:									
Amount	376,593	323,813	337,519	89,216	84,537	-10.4	-14.0	+4.2	-5.2
Producers' share 1/	62.8	70.6	71.2	81.3	74.5	+8.4	+7.8	+0.6	-6.8
Importers' share: 1/									
Argentina (subject)	***	***	***	***	***	***	***	***	***
Brazil (subject)	***	***	***	***	***	***	***	***	***
Germany (subject)	***	***	***	***	***	***	***	***	***
Italy (subject)	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total	37.2	29.4	28.8	18.7	25.5	-8.4	-7.8	-0.6	+6.8
U.S. importers' imports from--									
Argentina (subject):									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Brazil (subject):									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Germany (subject):									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Italy (subject):									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Subject sources (subject):									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
Other sources:									
U.S. shipments quantity	***	***	***	***	***	***	***	***	***
U.S. shipments value	***	***	***	***	***	***	***	***	***
Unit value	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory qty	***	***	***	***	***	***	***	***	***
All sources:									
U.S. shipments quantity	180,442	141,077	167,634	28,846	35,741	-7.1	-21.8	+18.8	+23.9
U.S. shipments value	140,148	95,129	97,127	16,715	21,548	-30.7	-32.1	+2.1	+28.9
Unit value	$777	$674	$579	$579	$603	-25.4	-13.2	-14.1	+4.0

Continued.

Table C-4--Continued
Seamless carbon and alloy steel standard, line, and pressure pipes up to and over 4.5 inches OD: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit COGS are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				Jan.-Mar.--					Jan.-Mar.
Item	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	1993-94
U.S. producers'--									
Average capacity quantity..	***	696,925	662,650	168,517	166,668	***	***	-4.9	-1.1
Production quantity.....	***	386,540	429,430	124,929	112,366	***	***	+11.1	-10.1
Capacity utilization 1/....	***	40.8	47.5	52.9	47.0	***	***	+6.7	-5.9
U.S. shipments:									
Quantity.....	315,557	346,471	390,693	118,876	106,649	+23.8	+9.8	+12.8	-10.3
Value.....	236,445	228,684	240,392	72,501	62,989	+1.7	-3.3	+5.1	-13.1
Unit value.....	$750	$661	$616	$611	$591	-17.9	-11.9	-6.8	-3.2
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Exports/shipments 1/.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	$***	$***	$***	$***	$***	***	***	***	***
Ending inventory quantity..	42,175	42,560	37,581	43,096	33,411	-10.9	+0.9	-11.7	-22.5
Inventory/shipments 1/.....	10.6	11.2	8.8	8.8	7.2	-1.9	+0.5	-2.4	-1.5
Production workers.....	762	776	835	956	932	+9.6	+1.8	+7.6	-2.5
Hours worked (1,000s).....	1,705	1,772	1,915	536	526	+12.3	+3.9	+8.1	-1.9
Total comp. ($1,000).....	38,603	41,244	47,792	13,361	14,565	+23.8	+6.8	+15.9	+9.0
Hourly total compensation..	$22.64	$23.28	$24.96	$24.93	$27.69	+10.2	+2.8	+7.2	+11.1
Productivity (short tons per 1,000 hours).....	227.8	216.0	219.9	230.1	213.2	-3.4	-5.2	+1.8	-7.3
Unit labor costs.....	$99.40	$107.76	$113.48	$108.33	$129.86	+14.2	+8.4	+5.3	+19.9
Net sales--									
Quantity.....	395,121	381,691	430,007	122,858	115,275	+8.8	-3.4	+12.7	-6.2
Value.....	285,151	248,429	262,370	74,792	68,804	-8.0	-12.9	+5.6	-8.0
Cost of goods sold (COGS)..	247,726	230,718	244,512	67,594	68,430	-1.3	-6.9	+6.0	+1.2
Gross profit (loss).....	37,425	17,711	17,858	7,198	374	-52.3	-52.7	+0.8	-94.8
SG&A expenses.....	11,564	11,772	12,606	3,732	2,492	+9.0	+1.8	+7.1	-33.2
Operating income (loss)....	25,861	5,939	5,252	3,466	(2,118)	-79.7	-77.0	-11.6	-161.1
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	$627	$604	$569	$550	$594	-9.3	-3.6	-5.9	+7.9
COGS/sales 1/.....	86.9	92.9	93.2	90.4	99.5	+6.3	+6.0	+0.3	+9.1
Op.income (loss)/sales 1/..	9.1	2.4	2.0	4.6	(3.1)	-7.1	-6.7	-0.4	-7.7

1/ "Reported data" are in percent and "period changes" are in percentage points.
2/ An increase of less than 0.05 percentage points.
3/ Not available.

Note 1.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Data for non-subject imports consist of (1) imports of certain seamless pipe (i.e., that sized up to 4.5 inches OD) from countries other than Argentina, Brazil, Italy, and Germany (calculated as described in notes to table 18) and (2) imports of comparable pipe over 4.5 inches OD from all sources reported as entering under the HTS subheadings for line pipe over 4.5 inches OD. Non-subject imports are understated to the extent that imported standard and/or pressure pipe is not triple-certified and, thus, does not enter under the HTS subheadings for line pipe.

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

APPENDIX D

IMPORT DATA BY CUSTOMS DISTRICT

Table D-1 provides a listing of the quantity of imports (in metric tons, except where data for total imports are shown in short tons) entering under those HTS statistical reporting numbers that are most likely to contain certain carbon seamless pipe. The included numbers are 7304.10.10.20, 7304.39.00.16, 7304.39.00.20, and 7304.39.00.24. These numbers include the following carbon subject products: (1) all triple-stenciled pipe, (2) all line pipe, (3) estimated standard and pressure pipe that is not triple-stenciled. To obtain an estimate of the standard and pressure pipe that is not triple-stenciled, staff used those HTS numbers that are classified by the American and Iron Steel Institute as most likely to include "standard" pipe (see AIS Imports 3, December 1993).

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(Data were not provided for 1991 in table D-1 since some of the items were "basket" categories in that year. Also, data were misclassified by Customs for Italy in 1994; data on the quantity of imports entering from Italy in interim 1994 are also not provided in table D-1).

Table D-1
Certain carbon steel seamless pipes:[1] U.S. imports for consumption, by sources and by customs districts, 1992-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(In metric tons, except as noted)

Item	1992	1993	Jan.-Mar. 1993	Jan.-Mar. 1994
Argentina:				
Norfolk, VA	427	0	0	0
New Orleans, LA	1,083	3,538	545	1,275
Houston-Galveston, TX	12,595	19,975	4,511	4,545
All districts:				
Metric tons	14,104	23,513	5,055	5,820
Short tons	15,547	25,919	5,573	6,415
Brazil:				
New York, NY	0	255	255	0
Philadelphia, PA	1,075	721	0	418
Baltimore, MD	0	1,062	520	0
Savannah, GA	0	174	0	0
New Orleans, LA	1,272	5,411	1,728	101
Los Angeles, CA	243	264	62	17
Portland, OR	210	282	35	125
Houston-Galveston, TX	5,074	10,133	2,012	0
All districts:				
Metric tons	7,873	18,302	4,611	660
Short tons	8,679	20,175	5,083	728
Germany:				
Portland, ME	47	13	0	0
Boston, MA	41	0	0	0
New York, NY	23	8	0	7
Philadelphia, PA	928	302	5	14
Norfolk, VA	47	8	5	5
Charleston, SC	0	1	0	0
Savannah, GA	29	132	6	0
Tampa, FL	19	0	0	0
Mobile, AL	67	228	0	0
New Orleans, LA	1,253	2,294	944	334
Los Angeles, CA	1,067	381	0	183
San Francisco, CA	3	46	0	0
Portland, OR	27	84	0	68
Seattle, WA	2	177	0	0
Minneapolis, MN	1	0	0	0
Detroit, MI	2	51	2	0
Chicago, IL	1,131	258	0	0

See footnote at end of table.

Table D-1--Continued
Certain carbon steel seamless pipes:[1] U.S. imports for consumption, by sources and by customs districts, 1992-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

(In metric tons, except as noted)

Item	1992	1993	Jan.-Mar. 1993	Jan.-Mar. 1994
Germany:--Continued				
Cleveland, OH	0	68	0	0
Houston-Galveston, TX	9,896	4,338	864	2,316
All districts:				
Metric tons	14,583	8,389	1,826	2,926
Short tons	16,075	9,247	2,013	3,225
Italy:				
Philadelphia, PA	219	270	0	[2]
Baltimore, MD	20	37	0	[2]
Savannah, GA	0	[3]	[3]	[2]
New Orleans, LA	53	180	15	[2]
Los Angeles, CA	[3]	12	0	[2]
Houston-Galveston, TX	1,185	2,371	672	[2]
All districts:				
Metric tons	1,477	2,870	686	[2]
Short tons	1,628	3,163	757	[2]

[1] Carbon steel seamless pipes as provided for in HTS statistical reporting numbers 7304.10.10.20, 7304.39.00.16, 7304.39.00.20, and 7304.39.00.24.
[2] Not provided.
[3] Less than 500 kilograms.

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

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

APPENDIX E

COMMENTS BY THE U.S. PRODUCERS ON THE IMPACT OF IMPORTS OF CERTAIN SEAMLESS PIPE FROM ARGENTINA, BRAZIL, GERMANY, AND ITALY ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND DEVELOPMENT AND PRODUCTION EFFORTS

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of the subject pipes from Argentina, Brazil, Germany, and Italy on their growth, investment, ability to raise capital, and/or existing development and production efforts (including efforts to develop a derivative or improved version of the subject products). Their responses are shown below:

Actual Negative Effects

* * * * * * *

Anticipated Negative Effects

* * * * * * *

Influence of Imports on Capital Investments

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