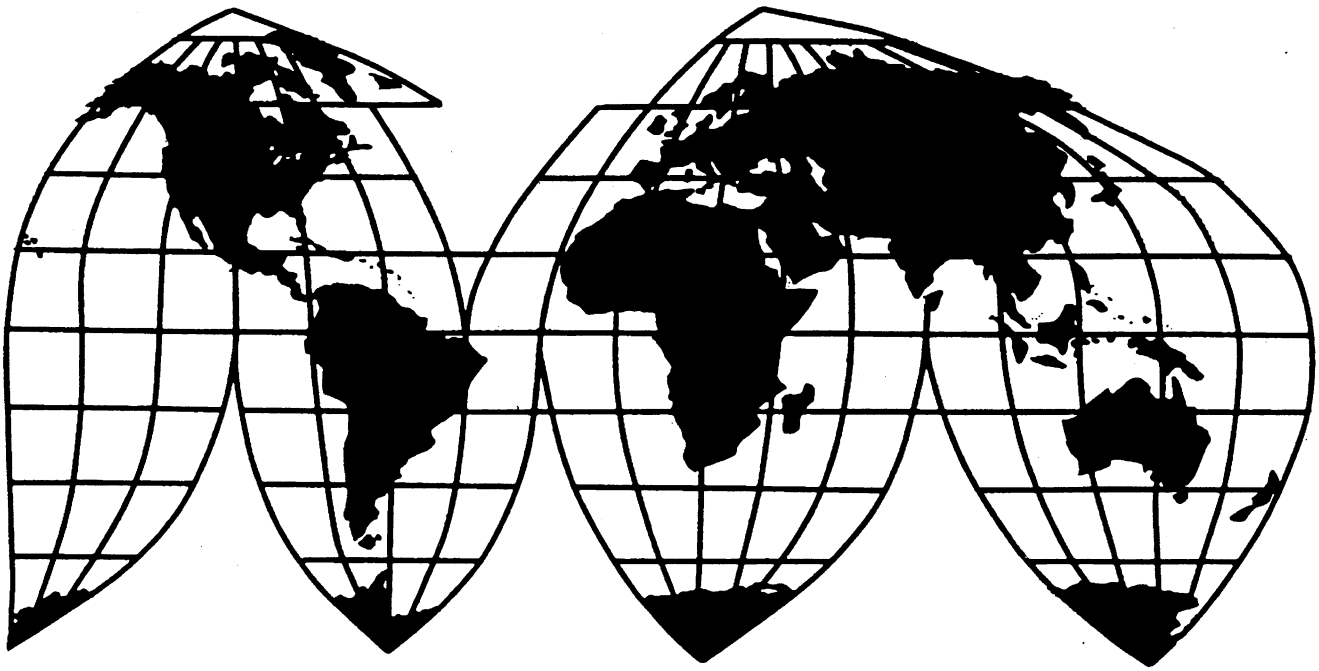
Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe From Japan and South Africa

Investigations Nos. 731-TA-847 and 850 (Final)

Publication 3311 **June 2000**

U.S. International Trade Commission



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U.S. International Trade Commission

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Publication 3311

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-847 and 850 (Final)

CERTAIN SEAMLESS CARBON AND ALLOY STEEL STANDARD, LINE, AND PRESSURE PIPE FROM JAPAN AND SOUTH AFRICA

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from Japan and South Africa of certain small diameter seamless carbon and alloy steel standard, line, and pressure pipe ("small diameter pipe"), provided for in subheadings 7304.10.10, 7304.10.50, 7304.31.30, 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, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).[2] The Commission made negative determinations concerning critical circumstances. The Commission also determines that an industry in the United States is materially injured by reason of imports from Japan of certain large diameter seamless carbon and alloy steel standard, line, and pressure pipe ("large diameter pipe"), 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, that have been found by the Department of Commerce to be sold in the United States at LTFV.[3]

BACKGROUND

The Commission instituted these investigations effective June 30, 1999, following receipt of a petition filed with the Commission and the Department of Commerce by counsel for Koppel Steel Corp., Beaver Falls, PA; Sharon Tube Co., Sharon, PA; U.S. Steel Group, Fairfield, AL; USS/Kobe Steel Co., Lorain, OH; and Vision Metals' Gulf States Tube Div., Rosenberg, TX. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by the Department of Commerce that imports of small diameter pipe from Japan and South Africa and large diameter pipe from Japan were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the Commission's investigations and of a public hearing 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 February 25, 2000 (65 FR 10107). The hearing was held in Washington, DC, on

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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] Commissioners Jennifer A. Hillman and Thelma J. Askey dissenting with respect to small diameter pipe of alloy steel. They determine that an industry in the United States producing such pipe is neither materially injured nor threatened with material injury by reason of imports of such pipe from Japan and South Africa sold at LTFV.

[3] Commissioner Thelma J. Askey dissenting with respect to large diameter pipe of alloy steel. She determines that an industry in the United States producing such pipe is neither materially injured nor threatened with material injury by reason of imports of such pipe from Japan sold at LTFV.

May 4, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on June 16, 2000. The views of the Commission are contained in USITC Publication 3311 (June 2000), entitled *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From Japan and South Africa*: Investigations Nos. 731-TA-847 and 850 (Final).

By order of the Commission.

Donna R. Koehnke
Secretary

Issued:

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VIEWS OF THE COMMISSION

Based on the record in these investigations, we determine that an industry in the United States is materially injured by reason of imports of certain small diameter seamless carbon and alloy steel standard, line, and pressure pipe ("small diameter pipe") from Japan and South Africa that the Department of Commerce ("Commerce") found to be sold in the United States at less than fair value ("LTFV").[1] We further determine that an industry in the United States is materially injured by reason of imports of certain large diameter seamless carbon and alloy steel standard, line, and pressure pipe ("large diameter pipe") from Japan that Commerce found to be sold at LTFV.[2]

I. DOMESTIC LIKE PRODUCT

A. In General

To determine whether an industry in the United States is materially injured, or threatened with material injury, by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[3] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[4] In turn, the Act defines "domestic 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 . . . ."[5]

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[1] Commissioner Hillman determines that the industry in the United States producing small diameter seamless carbon steel standard, line and pressure pipe is materially injured by reason of subject imports from Japan and South Africa sold at LTFV, and that the industry in the United States producing small diameter seamless alloy steel standard, line and pressure pipe is neither materially injured nor threatened with material injury by reason of subject imports from Japan and South Africa sold at LTFV. See Dissenting Views of Commissioner Jennifer A. Hillman.

[2] Commissioner Askey determines that the industry producing small diameter seamless carbon steel standard, line and pressure pipe in the United States is materially injured by reason of imports of small diameter seamless carbon steel standard, line, and pressure pipe from Japan and South Africa that the Department of Commerce ("Commerce") has found to be sold in the United States at less than fair value ("LTFV"). She further determines that the industry producing large diameter seamless carbon steel standard, line and pressure pipe in the United States is materially injured by reason of imports of large diameter seamless carbon steel standard, line, and pressure pipe from Japan that Commerce found to be sold at LTFV. However, she also determines that the industry producing small diameter seamless alloy steel standard, line, and pressure pipe in the United States is neither materially injured nor threatened with material injury by reason of subject imports of small diameter seamless alloy steel standard, line and pressure pipe from Japan found to be sold at LTFV, and that subject imports of small diameter seamless alloy standard, line and pressure pipe from South Africa are negligible. She further determines that the industry producing small diameter seamless alloy steel standard, line, and pressure pipe in the United States is neither materially injured nor threatened with material injury by reason of subject imports of large diameter seamless alloy steel standard, line and pressure pipe from Japan found to be sold at LTFV. She writes separately to explain her views. See Concurring and Dissenting Views of Commissioner Thelma J. Askey.

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(4)(A).

[5] 19 U.S.C. § 1677(10).

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[6] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[7] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[8] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[9]

B. Product Description

Petitioners filed petitions regarding small diameter seamless pipe from the Czech Republic, Japan, Romania, and South Africa, as well as petitions regarding large diameter seamless pipe from Japan and Mexico. In its final determination as to Japan and South Africa, Commerce defined the imported merchandise within the scopes of these investigations as follows:[10]

Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe

> For purposes of the small diameter seamless pipe investigations, the products covered are seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of these investigations also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification. Specifically included within the scope of these investigations are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in

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[6] See, e.g., NEC Corp. v. Dep't of Commerce and U.S. Int'l Trade Comm'n, 36 F. Supp. 2d 380 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[7] See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[8] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

[9] Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[10] Commerce also provided lengthy, detailed explanations of the specifications, characteristics, and uses of the subject pipe, which are not repeated herein.

outside diameter, 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.[11]

Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe

For purposes of the large diameter seamless pipe investigation, the products covered are large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes produced, or equivalent, to the American Society for Testing and Materials (ASTM) A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of these investigations also includes all other products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification, with the exception of the exclusions discussed below. Specifically included within the scope of these investigations are seamless pipes greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in outside diameter, 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.[12]

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[11] 65 Fed. Reg. 25907 (May 4, 2000). Commerce specifically excluded from the scope boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished oil country tubular goods ("OCTG") are excluded from the scope of these investigations, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications. Id.

[12] 65 Fed. Reg. 25907 (May 4, 2000). Specifically excluded from the scope of these investigations are:

A. Boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications.

B. Finished and unfinished oil country tubular goods (OCTG), if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line, or pressure applications.

C. Products produced to the A-335 specification unless they are used in an application that would normally utilize ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications.

C. General Description of Seamless Pipe[13]

Seamless standard pipes 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.[14] 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 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.[15] Seamless pipes are commonly produced and certified to meet all of the most common standard, line, and pressure pipe requirements (*i.e.,* multiple-certified or multiple-stenciled).

The primary application of small diameter seamless pipe is in pressure piping systems; other applications include oil field separator lines, gathering lines, and metering runs, as well as oil and gas distribution lines for commercial applications.[16] The primary application of large diameter seamless pipes is for use as oil and gas distribution lines for commercial applications; other applications include use in pressure piping systems and in oil field separator lines, gathering lines, and metering runs.[17]

D. Line and riser pipe for deepwater application, i.e., line and riser pipe that is (1) used in a deepwater application, which means for use in water depths of 1,500 feet or more; (2) intended for use in and is actually used for a specific deepwater project; (3) rated for a specified minimum yield strength of not less than 60,000 psi; and (4) not identified or certified through the use of a monogram, stencil, or otherwise marked with an API specification (e.g., "API 5L").

Id. Commerce made exclusions (C) and (D) subsequent to its preliminary determination at petitioners' request.

[13] The information in this section is distilled from Confidential Report ("CR") at I-5 to I-9, I-11 to I-12, and Public Report ("PR") at I-5 to I-11.

[14] Seamless standard pipes are most commonly produced to the ASTM A-53 specification and generally are not intended for high temperature service. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

[15] Seamless pressure pipes sold in the United States are commonly produced to the ASTM A-106 standard. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106.

[16] Such pipes may also be used in some boiler applications. In addition, redraw hollows are any unfinished pipe or "hollow profile" of carbon or alloy steel transformed by hot rolling, cold drawing, hydrostatic testing, or other methods to enable the material to be certified to meet standard, line, and pressure pipe requirements.

[17] These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A-106 pipes may be used in some boiler applications.

D. Domestic Like Product Issues

In the preliminary determination, the Commission found two domestic like products corresponding to the two scopes of these investigations: small diameter seamless pipe, *i.e.*, pipe with an outside diameter of not more than 4.5 inches; and large diameter seamless pipe, *i.e.*, pipe with an outside diameter of more than 4.5 inches, but not more than 16 inches.[18] The Commission also determined that seamless carbon pipe and seamless alloy pipe did not constitute separate domestic like products.[19]

In the final phase of these investigations, petitioners and the Mexican respondent argue that the Commission should continue to find small diameter pipe and large diameter pipe to be separate like products, while no party argues that they should not be separate domestic like products.[20] The Japanese respondents and importer MC Tubular Co. argue that alloy pipe should be a separate like product from carbon pipe, while petitioners oppose defining alloy pipe as a separate like product.[21]

1. Small Diameter vs. Large Diameter Pipe

Physical Characteristics and Uses. The distinguishing characteristic between small diameter and large diameter pipe is size, in that small diameter pipe is less than or equal to 4.5 inches in outside diameter, while large diameter pipe is greater than 4.5 inches in outside diameter. Small and large diameter seamless pipe have overlapping end uses (i.e., standard pipe applications; line pipe applications; and pressure pipe applications). Small diameter seamless pipe is primarily used in industrial applications such as refineries and chemical plants to carry small amounts of liquids or gases under pressure. Large diameter pipe is primarily used in pipeline applications to convey large volumes of oil or gas over long

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[18] Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, Japan, Mexico, Romania, and South Africa, Invs. Nos. 731-TA-846-850 (Preliminary), USITC Pub. 322 (August 1999) ("Preliminary Determination") at 7-8.

[19] Preliminary Determination at 8-9. The Commission also determined that it did not find high-strength line pipe and commodity grade pipe to be separate domestic like products, but stated that it intended to seek more information on this issue in the final phase. Preliminary Determination at 9-10. After the amendment to the scope of the large diameter investigations excluding certain deep water line pipe, none of the parties are arguing that high-strength line pipe should be a separate domestic like product, and there is nothing in the record to provide the Commission with a clearer dividing line between high-strength and commodity grade pipe than the Commission could ascertain in the preliminary determination. Accordingly, the Commission has no basis to make any different finding with respect to high-strength line pipe in this final determination.

In the preliminary determination, the Commission also determined not to include seamless pipe exceeding 16 inches in outside diameter in the large diameter pipe domestic like product, and not to include circular welded pipe in either domestic like product. It further determined that the product most similar in characteristics and uses to the OCTG included in the scopes of the investigations was seamless pipe and not OCTG generally. Finally, the Commission determined to include redraw hollows in the small diameter pipe domestic like product. Preliminary Determination at 8, 10-11. In the absence of any arguments or new information to the contrary, we see no reason to revisit these determinations.

[20] Petitioners' Prehearing Brief at 6-11; Mexican Respondent's Prehearing Brief at 1 n.1.

[21] Japanese Respondents' Prehearing Brief at 6-28; MC Tubular's Posthearing Brief at 1-12; Petitioners' Prehearing Brief at 16-22. Both the petitioners and the respondents focus their domestic like product arguments on the comparison of ASTM A-335 small diameter alloy pipe with ASTM A-106 small diameter carbon pipe.

distances.[22] However, multiple stenciling for cross-applications is common in small diameter pipe as well as in certain large diameter pipes.[23]

Interchangeability. There is very limited interchangeability between small and large diameter seamless pipe because of differences in engineering design and specifications.[24]

Channels of Distribution. U.S. producers sell both small diameter pipe and large diameter pipe mainly to distributors that tend to purchase seamless pipe in both size ranges. No purchaser reported any difference in the channels of distribution between small and large diameter pipe.[25]

Common Manufacturing Facilities, Employees and Methods. The range of sizes a particular seamless pipe producer can produce is a function of the equipment it uses. Of the major domestic producers, two produce only small diameter pipe, one produces only large diameter pipe, and one produces both, using different mills to do so. Two domestic producers produce both large and small diameter pipe using the same facilities: Timken, a relatively minor producer, and U.S. Steel Group's Fairfield mill, which produces small diameter pipe only in the 4.5 inch size.[26] The mills that make large diameter pipe are much larger and have substantially larger capital requirements than those that make small diameter pipe.[27]

Producer and Customer Perceptions. Both petitioners and respondents agree that producers and customers perceive small and large diameter pipe to be different products because of the difference in end uses.[28] Commission questionnaires elicited numerous comments that there is no competition between small diameter pipe and large diameter pipe.[29]

Price. The productivity rate (in tons per hour) for manufacturing small diameter pipe is much lower than it is for large diameter pipe, and accordingly variable costs and selling prices are higher for small diameter pipe. This is reflected in higher average unit values ("AUVs") for shipments for the domestic industry producing small diameter pipe.[30]

Conclusion. We find that small diameter seamless pipe and large diameter seamless pipe are separate domestic like products, notwithstanding several similarities between the products. As the Commission stated in the preliminary determination, the Commission "generally has not drawn lines

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[22] CR at I-12, PR at I-11. Conference Transcript at 24 (Hill).

[23] CR at I-6, I-8 to I-9; PR at I-6, I-8 . We note that all of the common grade small diameter and large diameter seamless pipe products (Products 1-4) for which the Commission collected pricing and quantity data are triple stenciled. CR at V-8, PR at V-6 to V-7.

[24] CR at I-20, PR at I-17; Preliminary Staff Report, Appendix D, at D-3 to D-4, D-7.

[25] CR at II-2 to II-3, PR at II-2. We note that large diameter pipe projects are frequently put up for bid. CR at I-20, PR at I-18.

[26] CR at I-18 to I-19, PR at I-16.

[27] Conference Transcript at 22-23 (Hill).

[28] CR at II-1, PR at II-1; Conference Transcript at 24 (Hill); Hearing Transcript at 170 (Houlihan).

[29] Preliminary Staff Report, Appendix D, at D-3 to D-4, D-9.

[30] Conference Transcript at 23, 50-51 (Hill); CR and PR at Tables III-4 and III-5.

based on size, and has looked for other points of distinction before finding separate like products."[31] However, in addition to the size difference, we find other important differences between large diameter and small diameter pipe. Small and large diameter pipe have somewhat different end uses and limited interchangeability, are priced differently, are perceived as different products by producers and consumers, and (with few exceptions) are manufactured in different mills with different equipment.

Each domestic like product determination made by the Commission is *sui generis*, and starts with the scope of the investigation. Here, with the record showing important differences, with the investigations having proceeded on the basis of two separate and distinct scopes for small diameter pipe and large diameter pipe, and with no party objecting to treating small diameter and large diameter pipe as separate domestic like products, we do not conclude that it is appropriate to expand the domestic like product corresponding to either scope to include small and large diameter pipe as a single domestic like product.[32]

2. Carbon vs. Alloy Pipe[33]

In the final phase of these investigations, the parties' arguments with respect to the chemistry of seamless pipe concern only small diameter alloy pipe. Commerce's amendments to the scope of the large diameter pipe investigations excluded nearly all of the subject large diameter alloy imports from the large diameter scope.

Physical Characteristics and Uses. As a general matter, seamless pipes and tubes (the vast majority of which are produced from carbon steel) are used in demanding applications requiring exceptional strength, high pressure containment, and a great degree of reliability.[34] The chemistry of alloy pipe (more specifically, the chemistry of the upstream product -- the billet)[35] makes it particularly suitable for applications in high pressure, high temperature, or low temperature service. These uses include the

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[31] Preliminary Determination at 7; see, e.g., Heavy Forged Handtools from the People's Republic of China, Inv. No.731-TA-457 (Final), USITC Pub. 2357, at 7-8 (Feb. 1991), citing Sweaters Wholly or in Chief Weight of Manmade Fibers from Hong Kong, the Republic of Korea and Taiwan, Invs. Nos. 731-TA-488-450 (Preliminary), USITC Pub. 2334, at 4-5 (Nov. 1989).

[32] We note that in Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy, Invs. Nos. 701-TA-362 & 731-TA-707-710 (Final), USITC Pub. 2910 (July 1995), at I-7, the Commission determined that the domestic product like imported small diameter seamless pipe -- pipe with an outside diameter of not more than 4.5 inches -- was seamless pipe not more than 4.5 inches outside diameter. In those investigations, the scope was limited to small diameter pipe, no party argued that the domestic like product should be broadened beyond the scope to include large diameter pipe, and the Commission did not address whether large diameter pipe should be included as part of the domestic like product.

[33] Commissioner Hillman does not join this section of the opinion. See her separate views.

[34] CR at I-11 n.14, PR at I-10 n.14. Welded pipes and tubes, in contrast, more commonly are used to transport liquids at or near atmospheric pressure. Id.

[35] Carbon steel contains controlled amounts of carbon and manganese, while alloy steels contain controlled amounts of alloying elements, such as nickel, chromium, and molybdenum, and provide physical properties not achievable with carbon steel. CR at I-12, PR at I-12.

most demanding pressure pipe applications, consistent with the service requirements of the Boiler and Pressure Code.[36]

The primary function of alloys is to enhance the properties of the steel. The inclusion of elevated levels of alloying elements, such as nickel, chromium, and molybdenum, gives alloy pipe higher strength and the ability to withstand higher temperatures. Alloy pipe's physical properties make it suitable for more extreme applications for which carbon pipe is not suitable, such as for high temperature, high pressure or more corrosive service requirements.[37] Carbon pipe becomes metallurgically unstable at higher temperatures because of oxidation and graphitization, and accordingly is not safe to be used in extremely high-temperature applications.[38]

Interchangeability. The manufacture of alloy pipe is limited to smaller production runs, ***, or for quick turnaround sales.[39] Therefore, while it is technically possible for alloy pipe to be used for carbon pipe applications, alloy pipe remains a low-volume specialty product principally used in high pressure, high temperature, or low temperature applications. The record indicates that actual interchangeability is rare, given the price differential between the two, as well as other suitability problems. It is undisputed that carbon pipe cannot be substituted for alloy pipe applications and that it is dangerous to do so.[40]

Channels of Distribution. Both carbon and alloy pipe are sold to distributors rather than directly to end users. Alloy pipe accounts for only a very small percentage of total seamless pipe shipments in the United States (less than *** percent from 1997 to 1999), and the number of alloy distributors is accordingly much smaller than it is for the large network of carbon pipe distributors. Most distributors of alloy pipe also distribute carbon pipe.[41]

Common Manufacturing Facilities, Employees and Methods. Carbon pipe and alloy pipe are both manufactured in the same facilities using the same equipment and the same employees.[42] Alloy pipe has

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[36] CR at I-13, PR at I-12.

[37] CR at I-12 to I-13, PR at I-12. Respondents contend that the appropriate temperature threshold is 800 degrees. We are reluctant to accept this as a "bright line" distinction, since it appears that seamless carbon steel ASTM standard A-106 B pressure pipe may be used in temperatures of up to 1,000 degrees Fahrenheit, at various American Society of Mechanical Engineers (ASME) code stress levels. Alloy piping made to ASTM standard A-335 must be used if temperature and stress levels exceed those allowed for A-106 and ASME codes. CR at I-12; PR at I-11.

[38] Hearing Transcript at 260-262 (Prager); Japanese Respondents' Prehearing Brief at 9-12.

[39] See, e.g., CR at II-18, PR at II-13; Hearing Transcript at 242 (Christopher).

[40] CR at I-20, PR at I-17; Hearing Transcript at 39, 120 (Hill), 237, 260-261 (Prager).

[41] CR at I-21 to I-22, II-3, PR at I-18 to I-19, II-2 to II-3; Hearing Transcript at 239-240 (Lawrence); CR and PR at Tables C-1, C-4. Given alloy pipe's small share of the seamless pipe market, we do not find significant the fact that the number of alloy distributors is likewise small.

[42] Seamless standard, line, and pressure pipe may be produced from steel made by either the basic-oxygen steelmaking process, which uses iron ore, scrap, and alloying materials as raw materials, or by the electric-arc furnace steelmaking process which uses scrap, direct-reduced iron, cold pig iron, and alloying materials. The chemical composition of steel, including the level of carbon, manganese, and any alloying elements, such as nickel, chromium, and molybdenum, is controlled in the melting process, and is not affected by further processing. CR at

additional processing steps including heat treatment that may take place in different facilities; some carbon pipe is also heat treated.[43] Two U.S. producers, Gulf States Tube Division and Michigan Specialty Tube (both owned by Vision Metals, Inc.), produce small diameter alloy and carbon pipe using the same facilities, production equipment and workers.[44] Koppel Steel Corp. produces small diameter carbon pipe, and has the capacity to produce small diameter alloy pipe.[45]

Producer and Customer Perceptions. Because alloy seamless pipe can withstand an even wider range of temperatures and pressures than can carbon seamless pipe, many customers view alloy pipe as a specialized niche product, although U.S. producers such as Vision Metals, Inc. view carbon and alloy pipe products as part of the continuum of seamless pipe products.[46] A number of questionnaire responses from purchasers and importers suggest that some customers view them as separate products.[47]

Price. It is undisputed that alloy pipe is more expensive than carbon pipe, and that ***.[48]

Conclusion. We find that carbon pipe and alloy pipe comprise a continuum of seamless pipe products. While there are a number of differences between carbon and alloy pipe, we find those differences to be less significant than their similarities. Seamless alloy pipe varies in chemical composition and is used in more extreme environments than seamless carbon pipe, but these differences are not controlling, particularly in the context of the characteristics and uses shared by seamless pipe products in general. The fact that alloy pipe may be used for particularly demanding, high pressure applications does not establish it as a separate domestic like product, since this is characteristic of seamless pipe generally. Moreover, carbon and alloy pipe are manufactured in the same facilities with the same equipment and the same workers. The carbon/alloy price differential, customer perceptions of alloy pipe as a specialty product, and the smaller, more specialized alloy distribution network are consistent with alloy pipe's small niche within the larger seamless carbon and alloy pipe market.

Based on the above analysis, we find that carbon and alloy seamless pipe should not be defined as separate domestic like products. Accordingly, we find two domestic like products corresponding to the two scopes of these investigations: small diameter seamless pipe and large diameter seamless pipe.

III. DOMESTIC INDUSTRY

Section 771(4) of the Act defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of that product."[49] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic

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I-14, PR at I-13.

[43] CR at I-14 to I-15, I-17, PR at I-13 to I-14, I-16.

[44] Hearing Transcript at 39-40 (Hill).

[45] CR at II-5 to II-6, PR at II-4; Conference Transcript at 121 (Ramsey).

[46] Hearing Transcript at 39, 106 (Hill).

[47] Japanese Respondents' Prehearing Brief at 20-23; CR at II-1, PR at II-1.

[48] CR and PR at Tables C-3, C-4; Hearing Transcript at 40 (Hill); MC Tubular's Prehearing Brief at 6.

[49] 19 U.S.C. § 1677(4)(A).

production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States.[50] Based on our finding of two domestic like products, we define two corresponding domestic industries: a small diameter seamless pipe industry, and a large diameter seamless pipe industry, encompassing all domestic producers of those products, respectively.

In its preliminary determination, the Commission found that the record supported inclusion of two domestic redrawer/finishers in the domestic industry producing small diameter pipe: Sharon Tube Co. and ***.[51] In deciding whether a firm qualifies as a domestic producer, the Commission generally analyzes the overall nature of a firm's production-related activities in the United States.[52] We find that the record in these investigations supports including redrawer/finishers in the domestic industry producing small diameter pipe. Accordingly, we again determine that Sharon Tube is a domestic producer of small diameter pipe based on its production-related activity in the United States. With regard to ***, we note that in the preliminary phase of the investigations, the company identified itself as a domestic producer, and was found by the Commission to be part of the domestic industry producing small diameter pipe, on the basis of ***.[53] However, in response to the Commission's questionnaire in the final phase of the investigations, *** did not identify itself as a domestic producer, and stated that ***. Accordingly, we determine that *** is not a member of the domestic industry producing small diameter pipe.[54]

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[50] See, e.g., DRAMs From Taiwan, Inv. No. 731-TA-811 (Final), USITC Pub. 3256 at 6 (Dec. 1999); Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, Invs. Nos. 701-TA-373, 731-TA-769-775 (Final), USITC Pub. 3126, at 7 (Sept. 1998); Manganese Sulfate from the People's Republic of China, Inv. No. 731-TA-725 (Final), USITC Pub. 2932, at 5 & n.10 (Nov. 1995) (the Commission stated it generally considered toll producers that engage in sufficient production-related activity to be part of the domestic industry); see, e.g., Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain ("OCTG"), Invs. Nos. 701-TA-363-364 (Final) and Invs. Nos. 731-TA-711-717 (Final), USITC Pub. 2911 (Aug. 1995) (not including threaders in the casing and tubing industry because of "limited levels of capital investment, lower levels of expertise, and lower levels of employment").

[51] Preliminary Determination at 12-13.

[52] Preliminary Determination at 12 n.48 and 49. See, e.g., Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Final), USITC Pub. 2904, at I-8 (June 1995). The Commission generally considers six factors: (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.

[53] Preliminary Determination at 14.

[54] CR at III-4 n.1, PR at III-3 n.1. We also find *** to be a member of the domestic industry producing small diameter pipe on the basis of its activities as a finisher/redrawer, but note that it submitted no financial data to the Commission. CR at III-4 n.1, PR at III-3 n.1.

IV. MATERIAL INJURY BY REASON OF LTFV IMPORTS OF SMALL DIAMETER PIPE FROM JAPAN AND SOUTH AFRICA[55]

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports under investigation.[56] In making this determination, the Commission must consider the volume of the subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[57] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[58] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[59] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[60]

For the reasons discussed below, we determine that the domestic industry producing small diameter pipe is materially injured by reason of LTFV imports from Japan and South Africa.

A. Cumulation

1. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, Section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like product in the U.S. market.[61] In assessing whether subject imports compete with each other and with the domestic like product,[62] the Commission has generally considered four factors, including:

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[55] Commissioner Hillman joins in Part IV with respect to carbon pipe. While she analyzed data for carbon pipe alone, any difference from the data for carbon and alloy pipe combined that are contained in this portion of the Commission's views is minimal with respect to both absolute numbers and trends.

[56] 19 U.S.C. § 1673d(b).

[57] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[58] 19 U.S.C. § 1677(7)(A).

[59] 19 U.S.C. § 1677(7)(C)(iii).

[60] 19 U.S.C. § 1677(7)(C)(iii).

[61] 19 U.S.C. § 1677(7)(G)(i).

[62] The Uruguay Round Agreements Act (URAA) Statement of Administrative Action (SAA) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition," SAA, H.R. Rep. 103-316, vol. I at 848 (1994), citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

(1) the degree of fungibility between the subject 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 subject imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

(4) whether the subject imports are simultaneously present in the market.[63]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.[64] Only a "reasonable overlap" of competition is required.[65]

Because the petitions in the investigations concerning small diameter pipe from the Czech Republic, Japan, Romania, and South Africa were filed on the same day, the first statutory criterion for cumulation is satisfied. In addition, none of the four statutory exceptions to the general cumulation rule applies for purposes of this determination.[66] Therefore, we are required to determine whether there is a reasonable overlap of competition both among the subject imports from the Czech Republic, Japan, Romania, and South Africa, and between the subject imports and the domestic like product.

2. Analysis

Fungibility. The bulk of small diameter pipe imported from each of the subject countries and produced domestically is in commodity grades.[67] These grades conform to standards and specifications published by a number of organizations, including the ASTM, ASME, and API. Comparable organizations in England, Germany, Japan, and Russia have also developed standard specifications for steel pipes and tubes.[68]

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[63] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (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).

[64] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[65] See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[66] These exceptions concern imports from Israel, countries as to which investigations have been terminated, countries as to which Commerce has made preliminary negative determinations, and countries designated as beneficiaries under the Caribbean Basin Economic Recovery Act. 19 U.S.C. § 1677(7)(G)(ii).

[67] Hearing Transcript at 41 (Ramsey).

[68] CR at I-12, PR at I-11. The specifications met by a pipe product are commonly marked on each piece of pipe and referred to as a "stencil."

Consequently, small diameter pipe from both subject and domestic sources tends to be generally interchangeable. Indeed, most purchasers indicated that subject imports from each of the four countries were used in the same applications as U.S.-produced pipe.[69] Additionally, purchasers generally found the subject imports from each of the four countries comparable to domestically-produced product in quality.[70]

Several respondents have argued that particular product characteristics of subject imports from individual countries limit their fungibility with the domestic like product. Czech, Romanian, and South African respondents contend that the fungibility of subject imports from those countries is limited because they are not on approved manufacturers' lists (AMLs).[71] AMLs are widely used, particularly in the energy business, and product not on a purchaser's AML may face some limitations in ability to compete for sales. Nevertheless, a large number of purchasers, including independent oil and gas producers and engineering and construction subcontractors, do not use AMLs. Moreover, there is some evidence that purchasers with AMLs may deviate from those AMLs for certain purchases.[72] Czech and South African respondents further argue that imports from those countries had much longer lead times than domestically-produced product. Although this is confirmed by the purchaser questionnaire responses, purchasers did not indicate that delivery time was among the most important purchasing factors for Czech product or South African product.[73] Consequently, although respondents have identified some distinctions between imports from individual subject countries and the domestic like product, we do not believe that these distinctions seriously limit product fungibility, particularly given the general interchangeability of small diameter pipe from domestic and subject sources.

Geographic Overlap. The majority of domestic producers report that they serve the entire United States. Japanese pipe was available in all geographic areas of the United States; Romanian pipe was present on the ***; Czech pipe was present in ***; and South African pipe was available on ***.[74] Thus, at a minimum, the domestic like product and *** were present in the Gulf area.

Channels of distribution. The vast majority of shipments of both subject imports of small diameter pipe and the domestic like product were to distributors.[75]

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[69] CR at II-19, PR at II-13 (Czech Republic); CR at II-20, PR at II-14 (Japan); CR at II-24, PR at II-17 to II-18 (Romania), CR at II-26, PR at II-18 (South Africa).

[70] CR at II-19, II-21, II-25-26, PR at II-13 to II-14, II-17 to II-18. Japan was the only subject source of alloy small diameter seamless pipe. Between 1997 and 1999, alloy pipe accounted for *** percent of U.S. imports of Japanese small diameter seamless pipe. Compare Table C-1 with Table C-4. The Japanese have confirmed that the bulk of Japanese shipments (of small diameter carbon steel seamless pipe) have always been non-specialized. Japanese Respondents' Posthearing Brief, Part II, at 4.

[71] CR at II-14 to II-16, PR at II-9 to II-11; Czech Respondent's Posthearing Brief, Exh. 9; Romanian Respondents' Posthearing Brief, Exh. 4.

[72] Tr. at 42-43 (Ramsey), 48 (Binder).

[73] CR at II-19, II-26, PR at II-13 to II-18.

[74] CR at II-2, PR at II-1 to II-2.

[75] CR at I-20, PR at I-17. The Romanian respondents argue that there are ***, but the limited information in the record is insufficient to corroborate this contention. Romanian Respondents' Prehearing Brief at 3 and Exh. 1. Moreover, in light of the other similarities, such a difference in distribution channels would not be sufficient to support a finding of lack of reasonable overlap of competition.

Simultaneous Presence. Subject imports from Japan occurred in every month during the period of investigation; subject imports from the Czech Republic occurred in 31 of the 36 months of the period; subject imports from Romania occurred in 30 of the 36 months; and subject imports from South Africa occurred in 28 of the 36 months.[76]

Conclusion. Based on the evidence in the record of general fungibility among the subject imports and between the subject imports and the domestic like product, geographic overlap in at least the Gulf region, similar channels of distribution, and the simultaneous presence of subject imports in the U.S. market, we find a reasonable overlap of competition among the subject imports, and between the subject imports and the domestic like product. Consequently, we cumulate subject imports from the Czech Republic, Japan, Romania, and South Africa for the purpose of analyzing whether the domestic industry has been materially injured by reason of the subject imports.

B. Conditions of Competition

Demand for small diameter seamless pipe depends in significant part on the level of activity in the oil and gas sector. Other important components of demand include industrial construction/reconstruction and facility repair and maintenance (especially at petrochemical and refinery installations). As distributors, most purchasers cannot identify precisely the end use applications of their small diameter pipe; however, only one purchaser described itself as not tied to the oil and gas market.[77] Many producers and importers felt that demand had fluctuated over the period examined, with 1996 and 1997 being generally stronger years and 1998 and 1999 being somewhat depressed due to declining oil and gas production in the United States, although a number of producers also attribute shifts in demand to unfairly traded imports. Declining demand is consistent with trends in apparent U.S. consumption, which fell by 43.1 percent between 1997 and 1999.[78] [79]

While factors such as differences in lead times, product quality, and presence on AMLs may limit substitutability somewhat, the record indicates a moderately high level of substitutability between subject imports and the domestic like product.[80] Moreover, while purchasers rated quality as the number one consideration in purchasing seamless pipe, price is also important. Further, most common grade products

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[76] Petitioners' Prehearing Brief at 33-34 and Exh. 12.

[77] CR at II-10 and n.40, PR at II-7 and n.40. In addition, 16 purchasers reported that rising oil and gas prices increase demand for large and small diameter pipe. CR at II-11, PR at II-18.

[78] CR and PR at Table C-1. While there can be an inverse relationship between activity in the oil and gas industry and in the petrochemicals industry, such that increased pipe demand in the petrochemical industry offsets a decline in oil and gas industry pipe demand, this phenomenon was not evident during the period of investigation. To the contrary, as demand in the oil and gas industry was declining, so too was petrochemical industry demand. As a consequence, apparent U.S. consumption of small diameter seamless pipe declined sharply during the period of investigation. CR at II-5, PR at II-3; Conference Transcript at 20 (Hill).

[79] Most purchasers reported that there are no viable substitutes for seamless pipe. However, several producers and importers report that welded pipe can be substituted for small diameter seamless pipe in certain applications. Plastic tubing and, less frequently, mechanical tubing and OCTG were also mentioned as potential substitutes. CR at II-12 to II-13, PR at II-9.

[80] CR at II-30; PR at II-20.

are multi-stenciled to industry standards, which lessens the significance of quality differences.[81] We note that despite respondents' arguments about the importance of AMLs, Romania held as much as *** percent of domestic consumption, and as much as *** percent of total imports in 1997 despite not being on AMLs. Indeed, as explained in the discussion of cumulation, there are a significant number of purchasers who do not rely on AMLs.[82] In addition, "Buy American" restrictions covered only about 5 percent of seamless pipe transactions.[83]

Nonsubject imports declined from 1997 to 1999, and remained well below the level of subject imports. Nonsubject imports' market share fell from 1997 to 1999, declining to 6.9 percent in 1999.[84]

C. Volume of the Cumulated Subject Imports

Section 771(7)(C)(i) of the Act provides that 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."[85]

The quantity of subject imports of small diameter seamless pipe rose from 59,017 short tons in 1997 to 83,228 short tons in 1998.[86] The share of domestic consumption supplied by cumulated subject imports of small diameter pipe increased from 21.8 percent in 1997 to 35.8 percent in 1998. This increase in import market share came largely at the expense of the domestic industry, whose market share declined from 67.8 percent to 54.9 percent in the same period.[87] In 1999, the quantity of subject imports fell to 35,683 short tons.[88] The domestic industry's market share rose to 69.3 percent in 1999,[89] but we find that this was largely as a result of significant decreases in domestic prices to meet the subject import prices.[90] We also find that subject imports declined in 1999 in part as a result of the filing of the petitions on June 30, 1999, as is reflected in the significant decline in subject imports in the fourth quarter of 1999.[91] Even after this decline from 1998 levels, the share of domestic consumption supplied

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[81] CR at II-1, II-15, PR at II-1, II-11.

[82] Hearing Transcript at 42-43 (Ramsey), 48 (Binder); CR and PR at Tables IV-3 and IV-7. Moreover, we note that the vast majority of both small diameter subject imports and domestic production was sold to distributors, so there are few significant differences in channels of distribution. CR at I-20, PR at I-17.

[83] Conference Transcript at 56-57 (testimony of Mr. Hill: "We took a look at that and the Commission took a look at that in the 1994/95 case. Back then I personally estimated that the market had declined to less than 15 percent Buy American in the mid-1990s, right now I would estimate it is less than 5 [percent]").

[84] CR and PR at Tables IV-3 and IV-7. We note that nonsubject imports are likely understated in our record. CR at IV-1 n.1, PR at IV-1 n.1. However, census data, which are overinclusive, indicate a similar trend. Id.

[85] 19 U.S.C. § 1677(7)(C)(i).

[86] CR and PR at Table IV-3.

[87] CR and PR at Table IV-7.

[88] CR and PR at Table IV-3.

[89] CR and PR at Table IV-7.

[90] Hearing Transcript at 38 (Hill), 42 (Ramsey), 44-45 (Gajdzik).

[91] Hearing Transcript at 282 (Nolan). The decline in imports in the fourth quarter of 1999 is confirmed by Census data, which may include nonsubject pipe as well as subject pipe, but are nevertheless indicative of the trends in the subject small diameter pipe market. South African Respondents' Posthearing Brief, Annex 2. Because the

by subject imports in 1999 was 23.8 percent, which was higher than the 1997 import market share, and which we find to be significant.[92]

Accordingly, we find the volume of subject imports of small diameter seamless pipe to be significant.

D. Price Effects of the Cumulated Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic 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.[93]

Prices for domestically-produced small diameter pipe declined ***, as shown by a review of pricing information for products 1-3. While the domestic producers' prices for these products were stable in 1997 and 1998, those prices declined *** in 1999. Subject import prices for these products also generally declined in 1999.[94] In addition, there was significant underselling by subject imports. There was underselling by the subject imports in 43 of 44 quarterly comparisons for product 1, 41 of 45 quarterly comparisons for product 2, and 24 of 32 quarterly comparisons for product 3.[95] While we view average unit values (AUVs) in this industry with caution, given product mix issues, AUVs confirm the pattern shown by the product-specific pricing data. Cumulated AUVs declined significantly from 1997 to 1999; Japan, the largest source of subject imports in 1998 and 1999, showed dramatic declines in AUVs while its subject import volumes were increasing through the first half of 1999.[96] [97]

1999 decline in subject import volumes is in part attributable to the filing of the petitions, we have reduced the weight we have accorded to these data pursuant to 19 U.S.C. § 1677 (7)(I), which states: "[T]he Commission shall consider whether any change in the volume, price effects, or impact of imports of the subject merchandise since the filing of the petition in an investigation ... is related to the pendency of the investigation and, if so, the Commission may reduce the weight accorded to the data for the period after the filing of the petition in making its determination of material injury, threat of material injury, or material retardation of the establishment of an industry in the United States."

[92] CR and PR at Table IV-7.

[93] 19 U.S.C. § 1677(7)(C)(ii).

[94] CR and PR at Tables V-1, V-3, V-5.

[95] CR and PR at Tables V-1, V-3, V-5.

[96] CR and PR at Table C-1. We give little weight to the fact that AUVs of Romanian subject imports increased during the period, since the volumes of imports were declining, and constituted a much smaller proportion of the subject imports in 1999 than in prior years.

[97] Chairman Bragg has not relied upon AUV data in assessing the price effects of subject imports in these investigations. Chairman Bragg notes that overall, subject imports of small diameter pipe undersold the domestic like product in 171 of 186 quarterly price comparisons.

We have closely examined the decline in demand for small diameter pipe. While this decline did have an effect on small diameter pipe prices, we find that it does not fully explain the price declines evidenced in the record. As previously noted, we find a moderately high level of substitutability between subject imports and the domestic product. Moreover, there was significant underselling by subject imports, as the pricing comparisons for products 1-3 show, and volumes of subject imports increased substantially in 1998 while domestic demand was weak. Quarterly pricing data indicate that subject imports led prices down in 1998 and 1999 as demand softened. Indeed, subject imports from Japan, which had a mixed pattern of underselling and overselling in 1997 and early 1998, consistently undersold the domestic product (with only one exception) by the end of 1998.[98] Given the dramatic decline in price levels, along with pervasive and significant underselling and the substitutability of subject imports, we find that the subject imports depressed domestic prices to a significant degree.

E. Impact of the Cumulated Subject Imports on the Domestic Industry

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[99] 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. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the industry."[100]

All the major indicators for the small diameter pipe industry declined significantly between 1997 and 1999. The domestic industry's operating income fell from $14.6 million in 1997 to $6.9 million in 1998, and to an operating loss of $10.8 million in 1999.[101] In 1999, five of the seven firms in the domestic industry sustained operating losses, compared with none of the seven firms in 1997.[102] In addition, from 1997 to 1999 there were significant declines in production, shipments, net sales, capacity utilization, cash flow, productivity, number of production workers, hours worked, wages paid, and hourly wages.[103] Furthermore, there were increases in ending inventories, unit labor costs, and unit cost of

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[98] CR and PR at Table V-3.

[99] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[100] 19 U.S.C. § 1677(7)(C)(iii).

[101] CR and PR at Table VI-1.

[102] CR and PR at Table VI-1

[103] CR and PR at Tables III-2, III-4, III-7, VI-1. While there were slight increases in the number of production workers, hours worked, wages paid, and hourly wages from 1998 to 1999, these indicators were still significantly below their 1997 levels. CR and PR at Table III-7. The respondents argue that the domestic industry was affected by developments in the OCTG market, in that ***, and may have switched production from OCTG to seamless pipe. However, the record evidence does not support the conclusion that domestic producers shifted production from OCTG to seamless pipe. CR and PR at Table E-1. Morever, the respondents' argument that the decline in the OCTG market as a result of conditions in the oil and gas industry shows that those conditions, and not subject imports, caused any injury to the domestic seamless pipe industries ignores the significant differences in end uses

goods sold.[104] While capital expenditures increased during the period, these expenditures reflected capital decisions made before 1998, and thus before the decline in demand and the surge in subject imports sold at LTFV.[105]

While the declines in industry performance indicators were partly attributable to the decline in demand for small diameter seamless pipe, they were also attributable to the price competition from subject imports, particularly in 1999 as the domestic industry lowered its prices significantly in order to recapture substantial market share lost to the low-priced subject imports. Thus, subject imports significantly exacerbated the effects of the decline in demand on the increasingly unprofitable and poorly performing industry.

The respondents have also argued that any injury to the domestic industry was temporary, and that the industry has already returned to health, in light of recent upturns in oil and gas prices. While small diameter seamless pipe prices have increased somewhat as conditions in the oil and gas industry have improved, they are still far below their levels in 1997 before the surge in subject imports.[106] Moreover, recent improvements in the condition of the domestic industry have been modest, and are partly attributable to the filing of these petitions, which caused subject imports to decline and in some cases withdraw from the market.[107]

Accordingly, we find that the cumulated subject imports have had a significant adverse impact on the domestic small diameter seamless pipe industry.

F. Critical Circumstances

In its final antidumping determination as to small diameter seamless pipe from Japan and South Africa, Commerce made affirmative findings of critical circumstances with respect to Japanese small diameter seamless pipe imports from Sumitomo Metal Industries, Kawasaki Steel Corp., and Nippon Steel Corp., and with respect to South African small diameter seamless pipe imports from Iscor Ltd. Commerce made negative findings of critical circumstances with respect to small diameter seamless pipe in the "all others" category in both the Japan and South Africa investigations.[108] Because we have determined that the domestic small diameter seamless pipe industry is materially injured by reason of subject small diameter imports from Japan and South Africa, we must further determine "whether the

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and demand between the seamless pipe markets and the OCTG market (which is far more directly tied to conditions in the oil and gas industry). See Petitioners' Posthearing Brief at 8-10 and Exh. 5.

[104] CR and PR at Tables III-6, C-1. While our examination of the domestic industry's financial performance is based on the industry as a whole, we have examined closely the nature of the relationship between ***, in connection with respondents' contentions concerning USS-Lorain's raw material costs. The Commission staff verified the data submitted by USS-Lorain. We do note the ***. CR at VI-5; PR at VI-1; Mexican Respondent's Prehearing Brief, Exh. 19. In light of the overall industry performance data discussed in the text, and ***, INV-X-128 at Table VI-2-A, the *** do not alter our evaluation of the impact of subject imports on the domestic industry.

[105] Hearing Transcript at 36-37 (Hill); Petitioners' Posthearing Brief, Exh. 8, at 3.

[106] Hearing Transcript at 42 (Ramsey), 45 (Gajdzik).

[107] Hearing Transcript at 42 (Ramsey), 45 (Gajdzik), 282 (Nolan).

[108] 65 Fed Reg. 25907, 25908 (May 4, 2000).

imports subject to the affirmative [Commerce critical circumstances] determination . . . are likely to undermine seriously the remedial effect of the antidumping duty order to be issued."[109] The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order."[110]

The statute further provides that in making this determination the Commission shall consider, among other factors it considers relevant:

> (I) the timing and the volume of the imports,
> (II) a rapid increase in inventories of the imports, and
> (III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.[111]

Consistent with Commission practice, in considering the timing and volume of subject imports, we have considered import quantities prior to the filing of the petition with those subsequent to the filing of the petition.[112] The record contains monthly export data for the firms subject to the affirmative Commerce critical circumstances determination. We examined both the six-month periods before and after filing of the petition, and the three-month periods before and after the filing of the petitions within those six-month periods.[113] [114]

Imports from Japan subject to Commerce's affirmative critical circumstances determination were lower in the period following filing of the petition than in the period preceding it.[115] Although the record does not contain information specifically concerning inventories of imports of those firms subject to the Commerce affirmative critical circumstances finding, the available information concerning inventories of all subject small diameter pipe imports from Japan in the United States indicates that these

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[109] 19 U.S.C. § 1673d(b)(4)(A)(i).

[110] SAA at 877.

[111] 19 U.S.C. § 1673d(b)(4)(A)(ii).

[112] See, e.g., Preserved Mushrooms from China, India, and Indonesia, Invs. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 at 24 (Feb. 1999).

[113] In addition to examining the six month periods before and after the filing of the petition, Chairman Bragg also compared the two, three, four, and five, month periods both preceding and following the filing of the petition. Chairman Bragg notes that with regard to the imports from Japan at issue, each of these periods indicates a decline in imports following the filing of the petition. Accordingly, Chairman Bragg finds that there has not been a massive surge in imports such that the remedial effect of an order on small diameter seamless pipe from Japan will be undermined seriously absent an affirmative critical circumstances determination. With regard to the imports from South Africa at issue, Chairman Bragg notes that a comparison of the three month periods preceding and following the filing of the petition indicates a 90 percent increase in imports. However, the absolute volume of imports accounted for by this increase is equivalent to less than one percent of apparent U.S. consumption in 1999, as well as less than one percent of the domestic industry's production that year. Accordingly, Chairman Bragg finds that there has not been a massive surge in imports such that the remedial effect of an order on small diameter seamless pipe from South Africa will be undermined seriously absent an affirmative critical circumstances determination.

[114] Commissioner Koplan examined the six months before and after the filing of the petition. See Views of Commissioner Stephen Koplan on Critical Circumstances.

[115] CR and PR at Table IV-9.

inventories did not increase during the post-petition period.[116] Because the record indicates that there was no substantial increase in those imports from Japan subject to the Commerce affirmative critical circumstances finding in the period immediately following filing of the petition, nor that there was any substantial increase in inventories of these imports, we conclude that these imports will not seriously undermine the remedial effect of the antidumping duty order.[117] [118]

Imports from South Africa subject to Commerce's affirmative critical circumstances finding did increase in the post-petition period, although the absolute increase was ***.[119] The record does not indicate any fluctuations in price for small pipe subject products from South Africa in the post-petition period.[120] Moreover, the available data indicate that inventory levels for all subject imports from South Africa increased only *** during 1999.[121] In light of this data, we conclude that the subject imports from South Africa subject to the Commerce critical circumstances finding, notwithstanding the volume increase in the post-petition period, will not seriously undermine the remedial effect of the antidumping order.

Accordingly, we have made negative critical circumstances determinations concerning small diameter pipe from Japan and South Africa.

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[116] CR and PR at Table VII-9.

[117] The petitions were filed on June 30, 1999. Comparing the three-month period April 1999 - June 1999 with the three-month period July 1999 - September 1999, imports from Japan fell from *** short tons to *** short tons. Comparing the six-month period January 1999 - June 1999 with the six-month period July 1999 - December 1999, imports from Japan fell from *** short tons to *** short tons. CR and PR at Table IV-9. Furthermore, as of December 31, 1998, U.S. inventories of small diameter pipe from Japan were *** short tons; as of December 31, 1999, U.S. inventories of small diameter pipe from Japan were *** short tons. CR and PR at Table VII-9.

[118] We have also considered information in the record regarding prices of imports in the post-petition period. There are no available specific price data for these companies, but quarterly price data for 1999 show that Japanese prices declined by over $100 per ton for two of the three pricing items between the first half and the second half of 1999. CR and PR at Tables V-1, V-3, V-5. However, given the information regarding the volumes of imports from Japan in the post-petition period, we do not find that the limited pricing information warrants an affirmative critical circumstances determination.

[119] The petitions were filed on June 30, 1999. Comparing the three-month period April 1999 - June 1999 with the three-month period July 1999 - October 1999, imports from South Africa rose from *** short tons to *** short tons. Comparing the six-month period January 1999 - June 1999 with the six-month period July 1999 - December 1999, imports from South Africa rose from *** short tons to *** short tons. CR and PR at Table IV-9. Furthermore, as of December 31, 1998, U.S. inventories of small diameter pipe from South Africa were *** short tons; as of December 31, 1999, U.S. inventories of small diameter pipe from South Africa were *** short tons. CR and PR at Table VII-9.

[120] CR and PR at Tables V-1, V-3.

[121] CR and PR at Table VII-9.

V. MATERIAL INJURY BY REASON OF LTFV IMPORTS OF LARGE DIAMETER PIPE FROM JAPAN

The general legal standards for determining material injury were discussed in Part IV and will not be repeated here. For the reasons discussed below, we determine that the domestic industry producing large diameter pipe is materially injured by reason of LTFV imports from Japan.

A. Cumulation

1. In General

Because the petitions in the investigations concerning large diameter pipe from Japan and Mexico were filed on the same day, the first statutory criterion for cumulation is satisfied. In addition, none of the four statutory exceptions to the general cumulation rule applies for purposes of this determination.[122] Therefore, we are required to determine whether there is a reasonable overlap of competition both between the subject imports from Japan and Mexico, and between the subject imports and the domestic like product.

2. Analysis

Fungibility. As a result of the exclusion of almost all alloy pipe and certain deep water line pipe from the scope of the large diameter pipe investigations, the majority of the subject imports are common grade products. The data submitted by Mexican respondent TAMSA show that specialty products constituted *** of total imports from Mexico during each year of the period of the investigation.[123] The Japanese respondents acknowledge that the amendments to the scope eliminated a large portion of their specialty imports, and that the proportion of common grade products in the mix of their imports rose in 1999.[124]

Purchasers generally view Japanese and Mexican common grade product as interchangeable with domestically-produced product.[125] The record does not indicate that there are any particular product characteristics of the common grade large diameter imports from Japan or Mexico that would significantly limit their fungibility with the domestic like product.

Geographic Overlap. Four domestic producers serve the entire United States. Japanese large diameter pipe is present in all geographic regions of the United States, while Mexican large diameter pipe is available in the ***.[126]

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[122] These exceptions concern imports from Israel, countries as to which investigations have been terminated, countries as to which Commerce has made preliminary negative determinations, and countries designated as beneficiaries under the Caribbean Basin Economic Recovery Act. 19 U.S.C. § 1677(7)(G)(ii).

[123] Mexican Respondent's Posthearing Brief at Q-6 to Q-7.

[124] Japanese Respondents' Posthearing Brief at 8-9.

[125] CR at II-20, II-22, II-27, PR at II-14, II-16, II-18.

[126] CR at II-2, PR at II-1 to II-2.

Channels of Distribution. In 1999, the majority of domestic large diameter pipe production and subject large diameter imports from Japan, and a substantial proportion of subject large diameter subject imports from Mexico, were shipped to distributors. Although there is a somewhat different distribution pattern for Mexico, there is a reasonable overlap of channels of distribution among the subject imports and between them and the domestic like product.[127]

Simultaneous Presence. Imports from Japan and Mexico occurred in every month of the period of investigation.[128]

Conclusion. Based on the evidence in the record of general fungibility among the subject imports and the domestic like product, geographic overlap, and the simultaneous presence of subject imports in the U.S. market, we find a reasonable overlap of competition between the subject imports, and between the subject imports and the domestic like product, notwithstanding the possible difference in channels of distribution of Mexican large diameter pipe. Consequently, we cumulate subject imports from Japan and Mexico for the purpose of analyzing whether the domestic industry has been materially injured by reason of the subject imports of large diameter seamless pipe.

B. Conditions of Competition

Demand for large diameter pipe generally is more closely linked to the level of activity in the oil and gas industry than is demand for small diameter pipe, although there are additional industrial applications as well.[129] Most producers and importers felt that demand had fluctuated over the period examined, with 1996 and 1997 being generally stronger years and 1998 and 1999 being somewhat depressed due to declining oil and gas production in the United States. This is consistent with trends in overall U.S. consumption, which decreased by *** percent between 1997 and 1998, and then fell by *** percent between 1998 and 1999 (a net decline of *** percent).[130]

As previously stated, Commerce's amendments to the scope of the large diameter investigations excluded a great deal of specialty pipe (large diameter alloy pipe and certain deep water line pipe). Consequently, a substantial majority of subject imports is common grade product that competes with the domestic product on a price basis.[131] Moreover, the proportion of subject imports from Japan that constituted common grade product substantially increased over the period of investigation.[132] Thus, we

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[127] About 77 percent of imports of large diameter seamless pipe from Japan are sold to distributors, as are about *** percent of Mexican imports and *** percent of U.S. producers' shipments. CR and PR at Table I-4.

[128] Petitioners' Prehearing Brief, Exh. 23.

[129] CR at II-9, PR at II-6 to II-7.

[130] CR and PR at Table C-2. Reportedly, tax incentives incorporated in the Deep Water Royalty Relief Act of 1995 have lowered the breakeven point for ventures in the Gulf of Mexico and have encouraged long-term projects that have continued despite the steep decline in oil prices in 1998 and early 1999. CR at II-1, PR at II-1; Mexican Respondent's Prehearing Brief at 11-13.

[131] Mexican Respondent's Posthearing Brief at Q-6 to Q-7; Petitioners' Posthearing Brief at 1-3.

[132] Japanese Respondents' Posthearing Brief at 9.

find a moderately high level of substitutability, which increased during the period of investigation, between subject imports and the domestic like product.[133]

Nonsubject imports declined from 1997 to 1999, and they remained well below the level of subject imports. Nonsubject imports' market share fell from 1997 to 1999, declining to *** percent in 1999.[134]

C. Volume of the Cumulated Subject Imports

The quantity of subject imports of large diameter seamless pipe rose from *** short tons in 1997 to *** short tons in 1998, then fell to *** short tons in 1999, increasing by *** percent between 1997 and 1999.[135] Apparent U.S. consumption decreased by *** percent during the same period. The share of domestic consumption held by subject imports increased from *** percent in 1997 to *** percent in 1998, while the share held by domestic shipments declined from *** percent to *** percent.[136] Although subject import market share declined *** to *** percent in 1999, this was still higher than the 1997 import market share.[137] Cumulated subject import shipments were higher than the volume in 1997. Thus, over the period of investigation, the absolute volume and market share of subject imports increased while domestic consumption was declining.

The Japanese respondents' argument that large diameter imports from Japan increased while demand was falling because of a lag in their response to the change in demand is not borne out by the record. Subject large diameter imports from Japan continued to increase in volume and in market share over the period, and were at their highest levels in 1999.[138] Even with a 3-6 month lag time for Japanese imports, the response to the 1998 demand drop should have been evident by mid-1999; instead imports from Japan continued at a strong rate into August 1999.[139] Moreover, the Japanese respondents have acknowledged that in 1999, a greater share of their imports were common grade products, which compete with the domestic product directly on the basis of price.[140]

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[133] CR at II-30, PR at II-20.

[134] CR and PR at Tables IV-4 and IV-8. We note that nonsubject imports are likely understated in our record. CR at IV-1 n.1, PR at IV-1 n.1. However, Census data, which are overinclusive, indicate a similar trend. Id.

[135] CR and PR at Table IV-4.

[136] CR and PR at Table IV-8. Cumulated subject import shipments increased from *** short tons in 1997 to *** short tons in 1998. CR and PR at Table IV-6.

[137] CR and PR at Table IV-8. We find that the domestic large diameter pipe industry regained market share in 1999 by cutting its prices, although most of this gain came at the expense of nonsubject imports. Hearing Transcript at 28 (Gajdzik); 29-30 (Leland); CR and PR at Table IV-8. The *** decline in subject import market share is attributable in part to the filing of the petitions in June 1999, and we have accordingly reduced the weight we have accorded to these data pursuant to 19 U.S.C. § 1677(7)(I). The 1999 Census data show a sharp decline in cumulated large diameter subject imports from Japan and Mexico in the last three months of 1999. Petitioners' Prehearing Brief, Exh. 23. While Census data may include nonsubject pipe as well as subject pipe, they are nevertheless indicative of the trends in the subject large diameter pipe market.

[138] CR and PR at Tables IV-6 and IV-8.

[139] CR and PR at Table IV-9

[140] Japanese Respondents' Posthearing Brief at 9.

Accordingly, we find the volume of subject imports of large diameter seamless pipe to be significant.

D. Price Effects of the Cumulated Subject Imports

When demand in the large diameter seamless pipe market was at its weakest in late 1998 and 1999, domestic prices declined dramatically in the face of significant underselling by subject imports of common grade large diameter pipe. Data for product 4, the highest volume product for which the Commission gathered pricing data, show that, commencing with the fourth quarter of 1998 and continuing through the first three quarters of 1999, significant volumes of subject imports entered the U.S. market and undersold the domestic like product by significant margins, while prices of U.S. product dropped significantly from 1998 levels.[141] These data are consistent with the data in the preliminary staff report for product 4, a different common grade product, for which we did not collect data in the final investigations. The data for that product show, in the fourth quarter of 1998 and the first quarter of 1999, a huge increase in the volume of subject imports at sharply lower prices, with a consequent shift from overselling to underselling by subject imports and a concurrent drop in domestic prices.[142] [143]

The decline in activity in the oil and gas industry contributed to the decline in the price of large diameter pipe, but we find that it does not fully explain the decline in price. Instead, we find that with demand weak, and subject imports entering the market in significant volumes at low and declining prices, domestic producers were forced to cut their prices to regain market share that had been lost to subject imports. Moreover, the substitutability of subject large diameter pipe is moderately high, and increased over the period due to the shift in product mix by subject imports from Japan towards more common grade product.[144] Thus, the degree of price competition between subject imports and the domestic product was at its highest in late 1998 and 1999 as domestic prices were declining significantly.[145] Consequently, we find that the subject imports depressed domestic prices to a significant degree.

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[141] CR and PR at Table V-7. In the final phase of these investigations, the Commission collected pricing data on two large diameter pipe products. We have emphasized product 4, a common grade product, because there were few pricing observations on product 5, the other large diameter product. CR and PR at Table V-9. We note that the average unit values of the subject large diameter imports declined significantly from 1998 to 1999. CR and PR at Table IV-4. We do not give great weight to average unit value data for large diameter pipe, because there were significant shifts in product mix during the period of investigation, particularly for subject imports from Japan.

[142] Preliminary staff report, PR and CR at Table V-4.

[143] Chairman Bragg has not relied upon AUV data in assessing the price effects of subject imports in these investigations. Chairman Bragg notes that the subject imports of Product 4 from Japan and Mexico undersold the domestic product in a majority of quarterly comparisons, and that the volume of undersold subject imports of Product 4 substantially exceeded the volume of oversold subject imports of Product 4.

[144] Japanese Respondents' Posthearing Brief at 9.

[145] In this regard, while the lost sales and lost revenue information on the record is very limited, one lost sale allegation involving Japan in 1999 was confirmed, as were four lost revenue allegations involving Japan in late 1998 and early-to-mid 1999 (***). CR and PR at Tables V-10 and V-11.

E. Impact of the Cumulated Subject Imports on the Domestic Industry

All the major indicators for the large diameter pipe industry declined significantly during the period of investigation. The industry's operating income declined from $*** in 1997 to $*** in 1998, and declined further to $*** in 1999.[146] In addition, there were declines in production, shipments, net sales, cash flow, capacity utilization, productivity, number of production workers, hours worked, wages paid, and productivity.[147] Furthermore, there were increases in unit labor costs and unit cost of goods sold.[148] [149]

While the declines in industry performance indicators are partly attributable to the decline in demand for large diameter seamless pipe, we find that they are also attributable in significant part to the price competition from subject imports, particularly in 1999 as the domestic industry was forced to lower its prices significantly in order to recapture lost market share originally taken by the lower-priced subject imports. Thus, subject imports significantly exacerbated the effects of the decline in demand on the increasingly unprofitable and poorly performing industry.

The respondents have also argued that any injury to the domestic industry was temporary, and that the industry has already returned to health, in light of recent upturns in oil and gas prices.[150] While large diameter seamless pipe prices have increased modestly as conditions in the oil and gas industry have improved, they are still far below their levels in 1997 before the surge in subject imports, and demand for large diameter pipe has likewise not returned to past levels.[151] Moreover, we find that the modest improvements in the condition of the domestic industry are partly attributable to the filing of the petitions, which resulted in a decline in subject imports.

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[146] CR and PR at Table VI-2.

[147] CR and PR at Table C-1.

[148] CR and PR at Table C-1. Unit cost of goods sold *** from 1998 to 1999, but were *** 1997 levels. While capital expenditures increased during the period, petitioners state that these expenditures were incurred ***. Petitioners' Posthearing Brief, Exh. 1, at 25-26. The respondents argue that the domestic industry was affected by developments in the OCTG market, in that ***, and may have switched production from OCTG to seamless pipe. However, the record evidence does not support the conclusion that domestic producers shifted production from OCTG to seamless pipe. Morever, the respondents' argument that the decline in the OCTG market as a result of conditions in the oil and gas industry shows that those conditions, and not subject imports, caused any injury to the domestic seamless pipe industries ignores the significant differences in end uses and demand between the seamless pipe markets and the OCTG market (which is far more directly tied to conditions in the oil and gas industry). See Petitioners' Posthearing Brief at 8-10 and Exh. 5.

While our examination of the domestic industry's financial performance is based on the industry as a whole, we have examined closely the nature of the relationship between ***, in connection with the Mexican respondent's contentions concerning USS-Lorain's raw material costs. The Commission staff verified the data submitted by USS-Lorain. We do note the ***. CR at VI-11, PR at VI-5; Mexican Respondent's Prehearing Brief, Exh.19. In light of the overall industry performance data discussed in the text, and ***, INV-X-128, at Table VI-5-A, the *** do not alter our evaluation of the impact of subject imports on the domestic industry.

[149] Chairman Bragg further notes that the number of domestic producers posting operating losses increased from 0 of 4 in 1997 to 2 of 4 in 1999.

[150] Mexican Respondent's Posthearing Brief at 2-3.

[151] Hearing Transcript at 31 (Leland).

Accordingly, we conclude that the subject imports have had a significant adverse impact on the domestic large diameter seamless pipe industry.

CONCLUSION[152]

For the foregoing reasons, we have determined that both the domestic small diameter seamless pipe industry and the domestic large diameter seamless pipe industry are materially injured by reason of the subject imports. Accordingly, we render affirmative determinations with respect to small diameter seamless pipe from Japan and South Africa and large diameter seamless pipe from Japan.

[152] Commissioner Hillman dissenting with respect to small diameter seamless alloy pipe. Commissioner Askey dissenting with respect to small diameter seamless alloy pipe, and with respect to large diameter seamless alloy pipe.

DISSENTING VIEWS OF COMMISSIONER JENNIFER A. HILLMAN

I join my colleagues in finding material injury to the domestic industries producing large diameter seamless pipe and small diameter seamless carbon steel pipe. However, I conclude that small diameter seamless carbon steel pipe and small diameter seamless alloy steel pipe are separate domestic like products, and therefore that there are separate domestic industries producing each of these two products.[1] I conclude that there is no material injury or threat of material injury by reason of subject imports of alloy small diameter pipe.

I. DOMESTIC LIKE PRODUCT – SMALL DIAMETER PIPE

Physical Characteristics and Uses. While both carbon and alloy steel seamless pipe are types of seamless pipe, the chemistry of alloy pipe is significantly different. Alloy steels contain controlled amounts of alloying elements, such as nickel, chromium, and molybdenum, to provide physical properties not achievable with carbon steel. Alloys are used to give the steel increased yield strength, tensile strength, creep strength, toughness, elongation, and hardenability. While both carbon and alloy steel pipes are used for the same general purposes -- transporting gas and liquids, sometimes at elevated pressures or temperatures -- alloy pipe is used only for the most demanding applications, at high temperatures, high pressures, and/or in corrosive environments. Boiler codes and other industry standards specify alloy pipe, not carbon pipe, for such applications.[2]

Interchangeability. There is little actual interchangeability between the two products. Carbon pipe cannot be used in alloy pipe applications.[3] While alloy pipe can theoretically be used in some carbon pipe applications, it is economically unfeasible to do so. Moreover, alloy pipe can underperform carbon pipe in certain applications because it is more difficult to weld.[4]

Channels of Distribution. Both products are sold to distributors. There is a large distributor network for carbon pipe but only a small number of distributors handle alloy pipe.[5] However, given the much smaller volumes of alloy pipe in the market, this difference may not be significant.

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[1] With respect to large diameter pipe, I find one domestic like product, large diameter seamless pipe. I first looked at the universe of domestic products like the products within the scope of the investigation -- which in this case, I determined to be all large diameter pipe -- and then considered whether there are clear dividing lines within that universe. Unlike the situation for alloy small diameter seamless pipe, there is no clear record evidence of any domestic production of alloy large diameter seamless pipe. Thus, while there remains a minimal amount of alloy large diameter seamless pipe within the scope of investigation, because I find no clear dividing line within the carbon large diameter pipe produced domestically, I find one like product for large diameter pipe.

[2] Confidential report (CR) at I-12 to I-13, public report (PR) at I-12; Japanese Respondents' Posthearing Brief at 12-13.

[3] Hearing Transcript at 120-21 (Hill) and 260-262 (Prager); Japanese Respondents' Posthearing Brief at 9-12.

[4] Japanese Respondents' Prehearing Brief at 13-15.

[5] CR at I-21 to I-22, II-3, PR at I-18 to I-19, II-3.

Common Manufacturing Facilities, Employees and Methods. The only domestic producer of alloy small diameter pipe manufactures ***. However, production of alloy pipe requires additional processing steps, most notably heat treatment, that may take place in different facilities.[6]

Producer and Customer Perceptions. All purchasers and importers that commented on the issue indicated that alloy and carbon pipe are different products with significant distinctions between them. In addition, some distributors market them separately.[7] However, U.S. producers have indicated that they view carbon and alloy pipe as part of the continuum of seamless pipe products.[8] On balance, this information indicates that, to a large extent, the markets for alloy and carbon pipe are perceived to be separate and distinct.

Price. Alloy pipe is much more expensive than carbon pipe. While there are no product-specific data allowing a direct comparison, the average unit values (AUVs) show a huge difference. The AUV of the domestic producer's U.S. shipments of alloy pipe was over *** times greater than the AUV of their U.S. shipments of carbon pipe in each year of our investigation.[9]

Conclusion. I find that the differences between carbon and alloy small diameter pipe, particularly with respect to physical characteristics, end uses, interchangeability, perceptions, and prices, warrant their treatment as separate like products. While there are some similarities in end uses, channels of distribution, and manufacturing methods and facilities, I find that the differences indicate that these are two separate products moving in two separate markets. Although I do not generally find separate like products for products within a continuum, each case is *sui generis*, and I find that the distinctions are significant enough in this case to warrant a finding of separate like products.[10]

II. NO MATERIAL INJURY BY REASON OF SUBJECT IMPORTS TO THE DOMESTIC ALLOY SMALL DIAMETER PIPE INDUSTRY[11]

A. Conditions of Competition

The record contains little information on conditions of competition specific to the alloy pipe industry. The information on the record indicates that there is only one domestic producer of alloy small diameter pipe, Vision Metals (at both its Michigan Specialty and Gulf States units), and it produces alloy

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[6] CR at I-14 to I-19, PR at I-13 to I-16.

[7] CR at II-1, PR at II-1; Purchasers' and Importers' Questionnaire Responses; Japanese Respondents' Prehearing Brief at 20-23.

[8] Questionnaire Responses of Domestic Producers; Hearing Transcript at 39 (Hill).

[9] Tables C-3 and C-4, CR at C-7 to C-10, PR at C-6. The AUVs for subject imports from Japan confirm price differences in the U.S. market; the AUV for alloy pipe from Japan was roughly *** that of carbon pipe from Japan.

[10] Moreover, I note that there are no domestic shipments, either of domestic product or imports, of the alloy grades closest in performance to carbon pipe, A335 P1 and P2. Table E-3, CR at E-5 to E-7, PR at E-3. Thus, the market appears to recognize a gap in the "continuum" that arguably spans carbon and alloy pipe.

[11] The only subject imports of alloy small diameter pipe during the period of investigation were from Japan. Because there were no subject imports of this product from the Czech Republic, Romania, or South Africa, I determine that their imports are negligible under 19 U.S.C. § 1677(24)(A). Accordingly, I determine that the investigation with respect to alloy small diameter pipe from South Africa should be terminated under 19 U.S.C. § 1673b(a) and I do not cumulate subject imports from Japan with those from the Czech Republic or Romania.

pipe ***.[12] In contrast, over half of subject imports are ***,[13] attenuating the competition between domestic product and subject imports. Respondents and some distributors have indicated that the domestic producer focuses on sales with small turnaround times and high prices.[14] Apparent consumption of alloy small diameter pipe fell from 1997 to 1999, although the drop was *** than that for carbon small diameter pipe. While nonsubject imports had a significant presence in the market, their market share fell from *** percent in 1997 to *** percent in 1999.[15]

B. Volume of Subject Imports

Subject imports increased in absolute terms, rising from *** in 1997 to *** in 1999. Their market share rose from *** percent in 1997 to *** percent in 1999.[16] Viewed in isolation, this increase in volume is significant. However, as discussed below, I find that subject imports have not had a significant price effect and I find no material injury by reason of subject imports.

C. Price Effects of Subject Imports

While AUVs are of limited utility due to product mix concerns, the record contains no product-specific pricing data regarding alloy small diameter pipe. Although subject import AUVs have been below the domestic producer's AUVs throughout the period of investigation,[17] I cannot conclude that this indicates significant price underselling given product mix differences[18] and the focus of the domestic industry on quick turnaround, high price sales. The AUV of subject imports fell *** percent from 1997 to 1998, at the same time that the domestic producer's AUV fell by *** percent. Then, from 1998 to 1999, subject import AUV fell by *** percent, while the domestic producer's AUV rose *** percent.[19] Given this pattern, I conclude that subject imports have not had a significant price depressing or suppressing effect.

D. Impact of Subject Imports on the Domestic Industry

The domestic industry has had *** throughout the period of investigation, with an operating income to sales ratio *** percent throughout.[20] ***, the carbon small diameter industry's operating income ratio never exceeded *** percent.[21] While there has been a decline in some industry indicators,

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[12] CR at III-1 to III-4, PR at III-1 to III-3; Questionnaire Responses of Gulf States and Michigan Specialty.

[13] Questionnaire Responses of Japanese importers.

[14] Hearing Transcript at 242 (Christopher) and 288 (Lawrence); Japanese Respondents' Posthearing Brief at 7.

[15] Table C-4, CR at C-9 to C-10, PR at C-6.

[16] Table C-4, CR at C-9 to C-10, PR at C-6.

[17] Table C-4, CR at C-9 to C-10, PR at C-6.

[18] Table E-3, CR at E-5 to E-7, PR at E-3. In addition, as noted earlier, the domestic industry produces alloy pipe only up to 2.5 inches in outer diameter, while the subject imports are up to 4.5 inches in outer diameter.

[19] Table C-4, CR at C-9 to C-10, PR at C-6.

[20] Table C-4, CR at C-9 to C-10, PR at C-6.

[21] Table C-3, CR at C-7 to C-8, PR at C-6.

including a drop in ***, the industry is still *** financially.[22] Moreover, given the very small size of the domestic industry, which can serve at most *** percent of domestic consumption,[23] annual fluctuations in such indicators as shipments, production, or profitability are not particularly probative. The record indicates that the industry has maintained its focus on a limited volume of high price sales and it appears to be well-situated in its niche. Given the *** financial condition of the domestic industry, as well as my finding of no significant price effects, I find no material injury to the domestic industry by reason of subject imports.

III. NO THREAT OF MATERIAL INJURY TO THE DOMESTIC ALLOY SMALL DIAMETER PIPE INDUSTRY[24]

In determining whether a domestic industry is threatened with material injury by reason of the subject imports, section 771(7)(F) of the Act requires an assessment of whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[25] Such a determination may not be made "on the basis of mere conjecture or supposition," and the threat factors must be considered "as a whole in making a determination whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued."[26] In making my determination, I have considered all statutory factors that are relevant to this investigation.[27]

I note at the outset that, as discussed earlier, the domestic industry continues to be ***.[28] It appears to be well established in its niche, producing a *** of products for quick turnaround, high value sales.[29]

The industry in Japan has maintained a fairly high rate of capacity utilization, exceeding *** percent throughout our period of investigation, with *** increases each year. Capacity utilization is projected to remain steady in 2000 and 2001.[30] The volume of subject imports has increased over the period of investigation.[31] However, given the currently high market share held by subject imports, I find it unlikely that subject imports will continue to capture much more market share, given the remaining substantial presence of nonsubject imports. I found above that subject imports are not having a

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[22] Table C-4, CR at C-9 to C-10, PR at C-6.

[23] Table C-4, CR at C-9 to C-10, PR at C-6.

[24] Because there were no imports of alloy small diameter pipe from the Czech Republic and Romania during the period of investigation, I determine that these imports are negligible under 19 U.S.C. § 1677(24)(A) and decline to cumulate the Czech Republic or Romania with Japan for purposes of my threat analysis.

[25] 19 U.S.C. § 1673d(b) and 1677(7)(F)(ii).

[26] 19 U.S.C. § 1677(7)(F)(ii).

[27] 19 U.S.C. § 1677(7)(F)(I). Factor I regarding countervailable subsidies and factor VII regarding agriculture products are inapplicable.

[28] Table C-4, CR at C-9 to C-10, PR at C-6.

[29] Hearing Transcript at 242 (Christopher) and 288 (Lawrence); Japanese Respondents' Posthearing Brief at 7.

[30] Questionnaire Responses of Japanese producers.

[31] Table C-4, CR at C-9 to C-10, PR at C-6.

significant depressing or suppressing effect on prices, and the record does not indicate any imminent change such that subject imports would imminently have any such effect. Inventories of subject imports are extremely low.[32] There is some potential for product-shifting, given the other products that can be produced on common manufacturing equipment.[33] There is no indication on the record of a significant negative effect on the domestic industry's development and production efforts; as discussed above, the domestic industry appears well-situated in its market niche. While small diameter seamless pipe from Japan is subject to antidumping investigations in Mexico and Venezuela,[34] these investigations are ongoing and their results are speculative. Finally, the record does not indicate any other demonstrable adverse trends indicating a likelihood of material injury by reason of subject imports.

Based on this record, and in particular the continued strong condition of the domestic industry and the likely lack of significant price depression or suppression by subject imports, I find that the domestic industry producing alloy small diameter seamless pipe is not threatened with material injury by reason of subject imports.

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[32] Table C-4, CR at C-9 to C-10, PR at C-6.

[33]CR at I-18, PR at I-16.

[34] CR at VII-1, PR at VII-1.

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VIEWS OF COMMISSIONER STEPHEN KOPLAN ON CRITICAL CIRCUMSTANCES

Commerce made affirmative final determinations of critical circumstances with respect to Japanese small diameter seamless pipe imports from Sumitomo Metal Industries, Kawasaki Steel Corp. and Nippon Steel Corp., and with respect to South African small diameter seamless pipe imports from Iscor Ltd. When Commerce makes an affirmative critical circumstances determination, the Commission is required to determine, for each domestic industry for which it makes an affirmative determination of material injury by reason of subject imports, "whether the imports subject to the affirmative [Commerce critical circumstances] determination ... are likely to undermine seriously the remedial effect of the antidumping order to be issued."[1]

Consistent with Commission practice in considering the timing and volume of imports, I compared import quantities six months prior to the filing of the petition with those six months after the filing of the petition.[2] I note that the Commission is not required to examine the same period that Commerce examined in performing its critical circumstances analysis.[3] In this investigation, the petition was filed mid-year on June 30, 1999. Accordingly, the data I considered relevant to critical circumstances were those for all of 1999.

Subject imports from Japan covered by Commerce's affirmative critical circumstances finding totaled *** short tons in the six months prior to the filing of the petition and *** short tons in the six months after the filing of the petition.[4] I note that during the final three months of 1999, imports of the subject merchandise from Japan subject to Commerce's affirmative critical circumstances determinations were only *** short tons. Thus, I carefully examined import levels for the nine months of 1999 when there were *** subject imports to determine whether there was a post-petition surge. Those data revealed that subject import volumes totaled between *** short tons and *** short tons in each month from January to June of 1999. As to the three months immediately following the filing of the petition, I find that imports in each of these months were within or below the range of import volumes for January through June of 1999. Thus, there was no surge in subject imports after the filing of the petition. Moreover, the record indicates that inventories of subject imports from Japan were lower in 1999 than they were in 1998.[5] In sum, I do not find that the record evidence indicates that the relevant subject imports from Japan would undermine seriously the remedial effect of the order.

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[1] 19 U.S.C. § 1673d(b)(4)(A)(I).

[2] *See, e.g.*, Certain Stainless Steel Sheet and Strip from France, Germany, Italy, Japan, The Republic of Korea, Mexico, Taiwan, and The United Kingdom, Invs. Nos. 701-TA-380-382 and 731-TA-797-804 (Final), USITC Pub. 3208 (Jul. 1999) at 20-22; Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final), USITC Pub. 3202 (Jun. 1999) at 33-34 & n. 129; Certain Preserved Mushrooms from China, India, and Indonesia, Invs. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 (Feb. 1999), at 24 (Views of Vice Chairman Miller and Commissioners Hillman and Koplan), at 28 (Views of Chairman Bragg and Commissioners Crawford and Askey); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 19 (April 1997); Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) at 34.

[3] *See* Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) at 34.

[4] CR and PR at Table IV-9.

[5] CR and PR at Table VII-9.

Subject imports from South Africa covered by Commerce's affirmative critical circumstances finding totaled *** short tons in the six months prior to the filing of the petition and *** short tons in the six months after the filing of the petition.[6] I note that during the final three months of 1999, total imports of the subject merchandise from South Africa subject to Commerce's affirmative critical circumstances determinations were *** short tons. Thus, I carefully examined import levels for the nine months of 1999 when there were *** subject imports to determine whether there was a post-petition surge. Those data revealed that subject import volumes totaled between *** short tons and *** short tons in February, March, May and June of 1999. In the three months immediately following the filing of the petition, I note that the monthly volume of imports ranged between *** and *** short tons. The record indicates that inventories of subject imports from South Africa increased by less than *** percent from 1998 to 1999.[7] The record does not indicate any fluctuations in the price of subject imports from South Africa after the filing of the petition. Thus, while I note there was a modest increase in the volume of imports after the filing of the petition, I find that subject imports from South Africa subject to Commerce's affirmative critical circumstances finding will not seriously undermine the remedial effect of the antidumping order.[8]

Accordingly, I make negative critical circumstances findings with respect to the relevant producers of small diameter seamless pipe from Japan and South Africa.

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[6] CR and PR at Table IV-9.

[7] CR and PR at Table VII-9.

[8] CR and PR at Tables V-1 and V-3.

CONCURRING AND DISSENTING VIEWS OF COMMISSIONER THELMA J. ASKEY

Based on the record in these investigations, I determine that an industry in the United States is materially injured by reason of imports of small diameter seamless carbon steel standard, line, and pressure pipe from Japan and South Africa that the Department of Commerce ("Commerce") has found to be sold in the United States at less than fair value ("LTFV"). I further determine that an industry in the United States is materially injured by reason of imports of large diameter seamless carbon steel standard, line, and pressure pipe from Japan that Commerce found to be sold at LTFV.

However, I determine an industry in the United States is neither materially injured nor threatened with material injury by reason of subject imports of small diameter seamless alloy steel standard, line, and pressure pipe from Japan found to be sold at LTFV. I also determine that subject imports of small diameter seamless alloy steel standard, line, and pressure pipe from South Africa are negligible. Finally, I determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of subject imports of large diameter seamless alloy steel standard, line, and pressure pipe from Japan found to be sold at LTFV.[1]

I. DOMESTIC LIKE PRODUCT

A. In General

To determine whether an industry in the United States is materially injured, or threatened with material injury, by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[2] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[3] In turn, the Act defines "domestic 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 . . . ."[4]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[5] No single factor is dispositive, and the Commission

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[1] Throughout the remainder of this opinion, I use the term "seamless carbon pipe" to refer to seamless carbon steel alloy standard, line, and pressure pipe and the term "seamless alloy pipe" to refer to seamless alloy steel standard, line, and pressure pipe.

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(10).

[5] See, e.g., NEC Corp. v. Dep't of Commerce and U.S. Int'l Trade Comm'n, 36 F. Supp. 2d 380 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4;

may consider other factors it deems relevant based on the facts of a particular investigation.[6] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[7] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[8]

B. Product Description

The Department of Commerce has determined that there are two classes or kinds of merchandise subject to the scope of these investigations: (i) certain large diameter seamless carbon and alloy standard, line, and pressure pipe, and (ii) small diameter seamless carbon and alloy standard, line and pressure pipe. The scopes of these investigations cover imports of small diameter seamless carbon and alloy pipe from the Czech Republic, Japan, Romania, and South Africa, and large diameter seamless carbon and alloy pipe from Japan and Mexico.

With respect to large diameter seamless carbon and alloy pipe, Commerce has defined the subject merchandise as generally consisting of:

> large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes produced, or equivalent, to the American Society for Testing and Materials (ASTM) A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application . . . . Specifically included within the scope of these investigations are seamless pipes greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in outside diameter, 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.[9]

Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[6] See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[7] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

[8] Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[9] For a complete description of the scope of the large diameter seamless carbon and alloy pipe investigations, see the Confidential Staff Report ("CR") at I-5-I-7, PR at I-5-7; see also 65 Fed. Reg. 25907 (May 4, 2000). In addition, several products are excluded from the scope of the investigation, including (i) boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications; (ii) oil country tubular goods (OCTG), if covered by the scope of another antidumping duty order from the same country or not used in standard, line or pressure applications; (iii) products produced to the A-335 specification unless they are used in an application that would normally utilize ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications; and (iv) line and riser pipe for deepwater application Id.

With respect to small diameter seamless carbon and alloy pipe, Commerce has defined the subject merchandise as generally consisting of:

> seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes andredraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application . . . . Specifically included within the scope of these investigations are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside diameter, 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.[10]

Seamless pipes are commonly used in pipe applications requiring exceptional strength, high pressure containment, and a great degree of reliability. They are typically tested and rated for their ability to withstand internal hydrostatic pressure. The small diameter products covered by the scope are used for the conveyance of water, steam, petrochemicals, chemicals, oil products, natural gas, and other liquids and gases in industrial piping systems. Large diameter pipes carry the same products but are used primarily for line applications. Both types of product may carry these substances at elevated pressures and may be subject to the application of external heat. According to petitioners, small seamless pipe is used primarily for the purpose of conveying liquids or gases within refinery or chemical plants while large pipe is used in pipeline projects for long distance transmission of high volumes of liquids or gases.[11]

Generally, three categories of small and large diameter seamless pipe are specifically covered by the scope of these investigations: standard pipe, line pipe, and pressure pipe. Standard pipe is most commonly produced to the ASTM A-53 specification and is generally intended for the low temperature and low 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. Line pipe is produced to the API 5L specification and is intended for the conveyance of oil and natural gas and other fluids in pipelines. Pressure pipe is commonly produced to the ASTM A-106 specification and is intended for the conveyance of water, steam, petrochemicals, chemicals oil products, natural gas and other liquids and gases in industrial piping systems at elevated pressures and temperatures.[12]

In addition to these categories of seamless pipe, the subject merchandise covered by the scope of these investigations includes two different chemical forms of seamless pipe: seamless carbon pipe and

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[10] For a complete description of the scope of the small diameter seamless carbon and alloy pipe investigations, see the Confidential Staff Report ("CR") at I-5-I-7, PR at I-5-7; see also 65 Fed. Reg. 25907 (May 4, 2000). Commerce specifically excluded from the scope boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished OCTG are excluded from the scope of these investigations, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications. Id.

[11] CR and PR at I-5-11.

[12] CR and PR at I-11-12.

seamless alloy pipe. Seamless carbon pipe is produced from carbon steel, which contains controlled amounts of carbon and manganese.[13] Seamless alloy pipe is produced from alloy steels, which contain controlled amounts of alloying agents, such as nickel, chromium, and molybdenum.[14] These alloying agents provide physical properties to the alloy pipes that are not obtainable with carbon steel, such as higher resistance to pressure and temperature. The specific forms of alloy steel covered by the scope are ASTM specifications A-335, A-333 and A-334.

C. Domestic Like Product Issues

In the preliminary determination, I found that there were two domestic like products in these investigations, corresponding to the scope definitions issued by Commerce: small diameter seamless pipe; *i.e.*, seamless pipe with an outside diameter of not more than 4.5 inches; and large diameter seamless pipe, *i.e.*, seamless pipe with an outside diameter of more than 4.5 inches, but not more than 16 inches.[15] I also found that seamless carbon pipe and seamless alloy pipe were not separate domestic like products but I noted that I might revisit this issue during the final phase investigations.[14]

In these final phase investigations, no party contends that small and large diameter seamless pipe should be considered to be one domestic like product. Instead, the petitioners and the Mexican respondent TAMSA both agree that small diameter pipe and large diameter pipe should be considered separate domestic like products.[15] The Japanese producers do not appear to disagree. They do, however, contend that seamless carbon pipe and seamless alloy pipe should also be considered separate domestic like products. Petitioners argue against such a distinction.[16] I address below the issues of (i) whether small diameter seamless pipe and large diameter seamless pipe should be considered separate domestic like products and (ii) whether seamless carbon pipe and seamless alloy pipe should be considered separate domestic like products.

1. Small Diameter Seamless Pipe/Large Diameter Seamless Pipe

I agree with the parties that small diameter seamless pipe and large diameter seamless pipe are two separate domestic like products. First, the two products are clearly distinguishable from one another because of their size difference, with small diameter seamless pipe being less than 4.5 inches in diameter and large pipe being more than 4.5 inches in diameter. Although such a size distinction might not warrant a separate domestic like product in another investigation involving different facts, the record of

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[13] CR and PR at I-12-13.

[14] Id.

[15] Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, Japan, Mexico, Romania, and South Africa, Invs. Nos. 731-TA-846-850 (Preliminary), USITC Pub. 322 (August 1999) ("Preliminary Determination") at 7-8.

[14] Preliminary Determination at 8-9. I also note that I found that high-strength line pipe and commodity grade pipe were not separate domestic like products. Preliminary Determination at 9-10. I see no reason to revisit this finding.

[15] See Petitioners' Prehearing Brief at 6-11; Mexican Respondent's Prehearing Brief at 1 n.1.

[16] Japanese Respondents' Prehearing Brief at 6-28; MC Tubular Posthearing Brief at 1-12; Petitioners' Prehearing Brief at 16-22.

this investigation indicates that the size difference between the two products leads to significant difference in end uses generally, with small diameter product being used primarily in the small volume transport of gasses and liquids in factories and production facilities and large diameter pipe being used primarily for the transport of large volumes of gases and liquids over long distances.[17] In addition, there is little actual interchangeability between the two products because of engineering and design differences.[18]

Moreover, the record indicates that producers and customers generally consider large and small diameter seamless pipe to be different products. Both petitioners and respondents agree that producers and customers perceive small and large diameter pipe to be different products because of the difference in end uses.[19] Commission questionnaires elicited numerous comments that there is no competition between small diameter pipe and large diameter pipe.[20] Although the Japanese producers have suggested that the two product groupings are simply viewed as part of a continuum of seamless pipe products, the Mexican respondents assert that the small diameter pipe market is "another world" compared to the large diameter market.[21]

Further, there is little overlap of production facilities and employees with respect to the two categories of seamless pipe. In this regard, the record indicates that two of the *** domestic producers, Vision Metals/Gulf States and Koppel, produce only small diameter pipe and do not produce large diameter pipe at all. Similarly, the *** domestic producer of small pipe, North Star, produces only large seamless pipe and does not produce small diameter pipe. Although ***. Moreover, while USS-Fairfield produces small and large diameter pipe in the same facility, it only produces small diameter pipe with a diameter of 4.5 inches, which indicates that there is a significant dividing line at or about that size break point. Indeed, the only other producer who produces small and large pipe in the same facilities is Timken. Timken, however, represents a *** portion of the overall domestic production of both products.[22] Given the foregoing, the record indicates to me there is little actual overlap in production operations, facilities or employees for the two industries.

Finally, the record indicates that there are reasonably significant price differentials between the small and large diameter pipe. The average unit value of domestically produced large diameter seamless pipe was $*** per short ton in 1999 while the average unit value of domestically produced small diameter carbon pipe was $*** in 1999.[23]

On the whole, the record indicates that there are substantial differences between the two products with respect to their physical characteristics, end uses, interchangeability, customer and producer

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[17] Confidential Report (CR) at I-12, Public Report (PR) at I-11; Conference Transcript at 24 (Hill).

[18] CR at I-20, PR at I-17, Preliminary Staff Report, Appendix D, at D-3 to D-4, D-7.

[19] CR and PR at II-1; Conference Transcript at 24 (Hill); Hearing Transcript at 170 (Houlihan).

[20] Preliminary Staff Report, Appendix D, at D-3 to D-4, D-9.

[21] Hearing Tr. at 169 (Houlihan); 172-173 (Gray).

[22] Timken accounted for *** percent of domestic small pipe production and *** percent of large pipe production in 1999. CR and PR at Table III-2. The fact that Timken accounted for *** percentage of small pipe production further supports my conclusion that small diameter pipe and large diameter pipe are separate domestic like products.

[23] CR and PR at Tables C-1 & C-2.

perceptions, and prices.[24] Moreover, the record indicates that the two products are generally produced by different producers, different employees and at different manufacturing facilities. Accordingly, I find that small diameter seamless pipe and large diameter seamless pipe are separate domestic like products.

2. Seamless Carbon Pipe/Seamless Alloy Pipe

I also find that seamless carbon pipe and seamless alloy pipe are separate domestic like products as well. First, there are significant physical and end use differences between carbon and alloy products. In particular, the inclusion of alloying elements in alloy pipe gives alloy pipe a significantly higher strength than carbon and allows it to withstand elevated temperatures. These characteristics make alloy pipe suited for certain high-temperature, low-temperature or high-corrosive applications (such as boilers) where it would be unsafe to use carbon pipe.[25] As a result of these physical differences and because of the significant price differential between the two products, there is limited, if any, actual or theoretical interchangeability between the two products. In fact, the record indicates that producers and customers view alloy pipe as a specialized niche product.[26] Petitioners do not strongly dispute the physical and end use differences between the products but assert that carbon and alloy pipe are viewed by purchasers and customers as a continuum.

Second, the record indicates that seamless carbon and seamless alloy pipe are not generally produced in the same productions and by the same employees. In this regard, the record indicates that six of the eight producers of large and small seamless pipe produce no seamless alloy pipe whatsoever. Of the eight seamless pipe producers, only two -- Gulf States and Michigan Specialty -- produce alloy pipe. Moreover, they produce minimal levels of the product. Given this, the record suggests that, on the whole, alloy pipe products are not produced in the same production facilities and using the same employees as carbon products.

Finally, I recognize that carbon and seamless alloy pipe do share similar channels of distribution in that they are both sold primarily to distributors, rather than end users. Nonetheless, the record also indicates that there is a much smaller and more specialized distribution network for alloy pipe than for carbon pipe.[27] Moreover, the record indicates that alloy pipe has *** average unit values than carbon pipe, both for the domestic product and imported product.[28]

On the whole, I find that the record clearly establishes that there are significant physical, end use, interchangeability, price, and production-related differences between carbon and alloy pipe. Indeed, I believe that there appears to be no logical basis for treating small and large diameter seamless pipe as

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[24] I do recognize that there are similar channels of distribution for both products because they are both sold primarily to distributors. CR at I-20-21 & II-3, PR at I-17-18. However, this fact does not outweigh the significant evidence indicating differences between the two products.

[25] CR at I-13, PR at I-12.

[26] Japanese Prehearing Brief at 20-23; Petitioners' Prehearing Brief at 21; CR at II-1.

[27] CR at I-20 & II-3, PR at I-17 & II-3.

[28] CR at C-7 to C-10, Tables C-3, C-4; Petitioners' Prehearing Brief at 21; Hearing Tr. at 40 (Hill); MC Tubular Prehearing Brief at 6.

separate domestic like products but not seamless carbon and alloy pipe. Accordingly, I find that seamless carbon and seamless alloy pipe should be considered to be separate domestic like products.

3. Conclusion

In light of the foregoing, I find that there are three different domestic like products in this proceeding: small diameter seamless carbon pipe, large diameter seamless carbon pipe, and small diameter seamless alloy pipe. Because there is no evidence of any domestic production of large diameter seamless alloy pipe as defined within the scope of the investigation, I am required to assess what product is most similar in uses and characteristics to the subject imports of large diameter seamless alloy products.[29] Given that large diameter alloy pipe and small diameter alloy pipe both share the same ability to resist temperature extremes and corrosive elements, have higher strength tolerances than seamless carbon pipe, are used in high-temperature, high pressure or high-corrosion environments, and have significantly higher average unit prices than seamless carbon pipe, I find that small diameter seamless alloy pipe is the domestic product that is most similar in characteristics and uses to large diameter seamless alloy pipe imports.

II. DOMESTIC INDUSTRY

Section 771(4) of the Act defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of that product."[30] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States.[31]

Based on my finding above that there are three domestic like products, I also find that there are three domestic industries in this investigation: the industry producing small diameter seamless carbon pipe, the industry producing large diameter seamless carbon pipe, and the industry producing small diameter seamless alloy pipe. Accordingly, I include all producers of small diameter seamless carbon

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[29] *See, e.g.,* Synthetic Indigo from China, Inv. No. 731-TA-851 (Preliminary), USITC Pub. 3222 (August 1999) at 7; Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia, Invs. Nos. 701-TA-384 (Preliminary) and 731-TA-806-808 (Preliminary), USITC Pub. 3142 (November 1998) at 5, n. 14 (noting "the statutory requirement that if there is no product 'like' the subject imports, the Commission must find the domestic product that is 'most similar in characteristics and uses with' the imports").

[30] 19 U.S.C. § 1677(4)(A).

[31] See, e.g., DRAMs From Taiwan, Inv. No. 731-TA-811 (Final), USITC Pub. 3256 at 6 (Dec. 1999); Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, Invs. Nos. 701-TA-373, 731-TA-769-775 (Final), USITC Pub. 3126, at 7 (Sept. 1998); Manganese Sulfate from the People's Republic of China, Inv. No. 731-TA-725 (Final), USITC Pub. 2932, at 5 & n.10 (Nov. 1995) (the Commission stated it generally considered toll producers that engage in sufficient production-related activity to be part of the domestic industry); see generally, e.g., Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain ("OCTG"), Invs. Nos. 701-TA-363-364 (Final) and Inv. Nos. 731-TA-711-717 (Final), USITC Pub. 2911 (Aug. 1995) (not including threaders in the casing and tubing industry because of "limited levels of capital investment, lower levels of expertise, and lower levels of employment").

pipe within the small diameter carbon pipe industry, all producers of large diameter seamless carbon pipe within the large diameter seamless carbon pipe industry, and all producers of seamless alloy pipe within the seamless alloy pipe industry.[32] Moreover, because I have found that small diameter seamless alloy pipe is the domestic product that is most similar in uses and characteristics to subject imports of large diameter seamless alloy pipe, I assess the current and imminent impact of those imports on the industry producing small diameter seamless alloy pipe.

Accordingly, I consider below:

(i) whether imports of small diameter seamless carbon pipe from Japan and South Africa have caused material injury to the domestic industry producing small diameter seamless carbon pipe;

(ii) whether imports of large diameter seamless carbon pipe from Japan have caused material injury to the domestic industry producing large diameter seamless carbon pipe;

(iii) whether imports of small diameter seamless alloy pipe from Japan and South Africa have caused injury or threaten to cause injury to the domestic industry producing small diameter seamless alloy pipe; and

(iv) whether imports of large diameter seamless alloy pipe from Japan have caused injury or threaten to cause injury to the domestic industry producing small diameter seamless alloy pipe.

III. MATERIAL INJURY BY REASON OF LTFV IMPORTS OF SMALL DIAMETER SEAMLESS CARBON PIPE FROM JAPAN AND SOUTH AFRICA

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports under investigation.[33] In making this determination, the Commission must consider the volume of the subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[34] The statute defines "material

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[32] I also include within the small diameter carbon industry two redrawer/finishers of small diameter carbon pipe: Sharon Tube Co. and ***. In deciding whether a firm qualifies as a domestic producer, the Commission generally analyzes the overall nature of a firm's production-related activities in the United States, although production-related activity at minimum levels could be insufficient to constitute domestic production. See, e.g., Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Final), USITC Pub. 2904, at I-8 (June 1995). I find that the somewhat limited available evidence indicates that these companies added enough value to be considered domestic producers. I do not include within the industry *** because it did not identify itself as a domestic producer in the final phase investigation.

[33] 19 U.S.C. § 1673d(b).

[34] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

injury" as "harm which is not inconsequential, immaterial, or unimportant."[35] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, the Commission considers all relevant economic factors that bear on the state of the industry in the United States.[36] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[37]

For the reasons discussed below, I determine that the domestic industry producing small diameter seamless carbon pipe is materially injured by reason of LTFV imports of small diameter seamless carbon pipe from Japan and South Africa.

A. Cumulation

1. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, Section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like product in the U.S. market.[38] In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject 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 subject imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

(4) whether the subject imports are simultaneously present in the market.[39]

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

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[35] 19 U.S.C. § 1677(7)(A).

[36] 19 U.S.C. § 1677(7)(C)(iii).

[37] 19 U.S.C. § 1677(7)(C)(iii).

[38] 19 U.S.C. § 1677(7)(G)(i).

[39] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (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).

compete with each other and with the domestic like product.[40] Only a "reasonable overlap" of competition is required.[41]

Because the petitions in the investigations covering small diameter seamless carbon pipe from Japan, South Africa, the Czech Republic, and Romania were filed on the same day, I am required to assess whether the subject imports from these countries compete with each other and with the domestic merchandise.[42] For the reasons discussed below, I find that there is a reasonable overlap of competition among small diameter seamless carbon pipe from the four countries and the domestic merchandise. I therefore cumulate them for purposes of my injury analysis in this proceeding.

First, I find that there is a reasonable degree of fungibility among small diameter carbon pipe from the four subject countries and the domestic merchandise. While I recognize that the record indicates that there are some quality differences between the subject imports and the domestic merchandise, and that the substitutability of the domestic and subject merchandise may be somewhat limited by other non-price factors such as lead times, availability, product range and reliability, most purchasers reported that the subject imports from Japan, the Czech Republic, Romania, and South Africa were always or usually interchangeable and that the subject imports are generally comparable to the domestic merchandise with respect to most significant purchase decision factors.[43] Moreover, the bulk of small diameter pipe imported from each of the subject countries as well as that produced domestically is sold in commodity grades.[44] These grades conform to standards and specifications published by a number of organizations, including the ASTM, ASME, and API. In light of the foregoing, I find that there is at least a moderate to moderately high level of substitutability among the subject imports and the domestic merchandise, which indicates that there is a moderate to moderately high degree of fungibility among the merchandise.

Moreover, the record indicates that the subject imports were simultaneously present throughout most of the period of investigation. The subject imports of small diameter carbon pipe from Japan were present during every month of the period of investigation; the subject imports from the Czech Republic were present during 31 of the 36 months of the period; the subject imports from Romania were present during 30 of the 36 months; and subject imports from South Africa were present during 28 of the 36 months.[45] Further, the subject imports from all four countries were sold in the same channels of trade as

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[40] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[41] See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[42] None of the four statutory exceptions to the general cumulation rule applies for purposes of this determination. These exceptions concern imports from Israel, countries as to which investigations have been terminated, countries as to which Commerce has made preliminary negative determinations, and countries designated as beneficiaries under the Caribbean Basin Economic Recovery Act. 19 U.S.C. § 1677(7)(G)(ii).

[43] CR at II-19, II-21, II-25-26, PR at II-12-19.

[44] Hearing Transcript at 41 (Ramsey).

[45] Petitioners' Prehearing Brief at 33-34 and Exh. 12.

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the domestic merchandise, with the vast majority of shipments of both subject imports of small diameter pipe and the domestic like product being sold to distributors.[46]

Finally, although there is some variation in the geographic regions in which the subject imports were sold, the record indicates that imports from all four subject countries were sold in reasonable levels in the Gulf region and that three of the four countries were available on the East Coast as well.[47] Japanese pipe was available in all geographic areas of the U.S.; Romanian pipe was present on the ***; Czech pipe was present in ***; and South African pipe was available on ***.[48] The majority of domestic producers report that they serve the entire United States. Thus, at a minimum, the domestic like product and *** were present in the Gulf area.

Accordingly, I find that there is a reasonably high degree of fungibility among the subject imports and the domestic merchandise, that there is a reasonable degree of geographic overlap among the imports and the domestic merchandise, and that the subject imports and the domestic merchandise were sold simultaneously throughout the period of investigation and in the same channels of trade. Consequently, I have cumulated the subject imports of small diameter seamless carbon pipe from the Czech Republic, Japan, Romania and South Africa for the purpose of analyzing whether the domestic industry has been materially injured by reason of the subject imports.

B. Conditions of Competition

The market for small diameter seamless carbon pipe is characterized by the following conditions of competition:

First, demand for small diameter carbon pipe is derived in significant part from demand for pipe in the oil and gas industries.[49] Accordingly, increases and decreases in oil and gas prices generally have a direct effect on demand for small diameter carbon pipe.[50] However, because small diameter carbon pipe is not used solely for oil and gas purposes,[51] demand in other end use industries will also affect demand for demand for seamless pipe products. Generally, both domestic producers and importers agree that demand was strong for seamless pipe in 1996. After that, there is some disagreement about trends in demand, with some producers and importers reporting that demand peaked in 1997 and that demand collapsed in 1997 as oil and gas prices fell.[52] Others report that demand has remained flat in certain end uses.[53] Recently, oil and gas prices have begun to rebound.

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[46] CR at I-20, PR at I-17-18.

[47] CR at II-2, PR at II-2.

[48] CR and PR at II-2.

[49] CR at II-4 & II-12-14, PR at II-4 & II-8-9.

[50] CR at II-4-5 & 12-14, PR at II-3-4 & II-8-9.

[51] As indicated above, demand for seamless pipe is also derived from demand for pipe in refineries, petrochemicals, large sports stadiums, pipe nipples and couplings, and chemical and plastics plants.

[52] CR at II-11, PR at II-7.

[53] CR at II-11-12, PR at II-7-8.

During the period of investigation, apparent consumption of small diameter seamless carbon pipe declined dramatically, with the largest decline occurring in 1999.[54] Apparent consumption of small diameter seamless carbon pipe declined from *** thousand short tons in 1997 to *** thousand short tons in 1998 to *** thousand short tons in 1999, for an overall decline in consumption of *** percent. *** percent of the decline occurred between 1998 and 1999.[55]

Second, during this period of significant demand declines, the domestic industry producing small diameter seamless carbon pipe experienced significant declines in capacity utilization. Domestic capacity utilization for small diameter seamless carbon pipe declined from *** percent in 1997 to *** percent in 1998 to *** percent in 1999.[56] Despite the dramatic decline in demand, the domestic producers reported significant amounts of additional small diameter seamless carbon pipe capacity during the period, indicating that their overall capacity level increased by *** percent, from *** thousand short tons in 1998 to *** thousand short tons in 1999.

Third, the record indicates that there is some possible substitution of non-seamless pipe products (like mechanical tubing, stainless pipe, welded pipe, and plastic tubing) for seamless pipe.[57] However, market participants indicate that there is a limit to the ability to substitute such merchandise for seamless pipe.[58]

Fourth, the vast majority of domestic and importer shipments of small diameter carbon pipe are sold to distributors, with only a small portion being sold to end users. *** percent of domestic small diameter pipe shipments were sold to distributors in 1999 while 95.8 percent of importers' shipments were sold to distributors.[59] There are at least 1000 pipe distributors in the U.S. but the major domestic producers sell to between 20 and 40 distributors.[60]

Fifth, the record indicates that there is at least a moderately high degree of substitutability between the domestic and subject merchandise. Staff estimates an elasticity of substitution of between 4 and 8, which indicates a moderately high to high substitutability.[61] Generally, producers, importers and purchasers reported that imports from the subject countries were always or frequently interchangeable for the domestic merchandise.[62] While there were some variations among the countries, purchaser responses on the whole indicate that small diameter seamless pipe imports from the four subject countries are reasonably comparable to the domestic merchandise.[63] Nonetheless, the record also indicates that there are limits on the substitutability of the domestic and subject merchandise. First, the

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[54] CR and PR at Table C-3.

[55] Id.

[56] CR and PR at Table C-3.

[57] CR at II-12, PR at II-8-9.

[58] CR at II-12-13, PR at II-8-9.

[59] CR and PR at Table I-4.

[60] CR at II-2, PR at II-2.

[61] CR at II-30, PR at II-20.

[62] CR at II-17-26, PR at II-12-16.

[63] CR at II-17-26, PR at II-12-16.

lead times for domestic merchandise are considerably shorter than those for the subject merchandise, as the domestic producers have lead times of between one to 14 days while the subject importers have lead times from 45 days to six months.[64] Moreover, the large majority of purchasers report that they always or usually know the country of origin for their pipe and that it is always or usually important for them.[65] Moreover, most purchasers report using a limited number of suppliers (ranging from 2 to 6) and that they rarely or infrequently change their suppliers.[66]

Sixth, price is an important aspect of the purchase decision for seamless pipe. In this regard, twenty-one of 24 purchasers reported that price is one of the three most important factors in the purchase decision. Nonetheless, I note that only two purchasers rated price as the most important factor in the purchase decision, while twelve of 23 rated quality as the most important factor in the purchase decision.[67] Similarly, 23 of 24 purchasers reported that the lowest price will not always win the sale, noting that other factors (such as quality, presence on the approved manufacturers lists, supplier reputation, etc.) are important considerations in the purchase decision.[68] Moreover, on average, price was rated only the sixth most important of the most important factors in the purchase decision, with product quality and consistency being the most important factors on average.[69] These considerations, together with the quality and lead time issues discussed above, indicate that seamless pipe products are not commodity-style, highly fungible products.

Seventh, the methodology for establishing prices in the seamless pipe market varies somewhat for the domestic producers and importers. Generally, domestic producers set prices on the basis of published price lists, while importers set prices on a transaction-specific basis.[70] However, domestic producers assert that, in mid-1998, price lists became increasingly less relevant to the prices they negotiated with their purchasers.[71] Most domestic producers offer discounts based on volume while the majority of importers do not.

Eighth, purchasers generally reported that the domestic small diameter pipe producers USS-Fairfield and Gulf States were price leaders in the seamless markets, with a minority reporting that subject importers were price leaders.[72] However, a small number of purchasers reported that subject producers, in particular Japan, had led prices downward in 1998-1999.[73]

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[64] CR at II-13, PR at II-9.

[65] CR at II-14, PR at II-10.

[66] CR at II-15, PR at II-10.

[67] CR at II-15, PR at II-11.

[68] CR at II-15, PR at II-11.

[69] CR at II-17, PR at II-12.

[70] CR at V-5, PR at V-5.

[71] CR at V-5, PR at V-5.

[72] CR at V-6, PR at V-5-6.

[73] CR at V-6, PR at V-6.

Ninth, many purchasers maintain approved manufacturers lists ("AMLs") and only purchase from the limited number of producers on those lists.[74] The record indicates that the Romanian, Czech and South African respondents are not on the AMLs of many purchasers.

Tenth, a number of countries have initiated antidumping investigations or issued antidumping findings against subject imports of seamless pipe from the Czech Republic, Romania and Japan, including the EU, Hungary, Brazil, Venezuela, India, and Mexico.[75]

Finally, there is a small but reasonably significant nonsubject import presence in the market. Nonsubject imports occupied *** percent of the small diameter carbon market in 1997, *** percent in 1998, and *** percent in 1999.[76]

I have taken all of these conditions of competition into account when performing my analysis in this case.

C. Volume of the Cumulated Subject Imports

Section 771(7)(C)(i) of the Act provides that 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."[77]

I find that the volume and market share of the cumulated subject imports is significant. The quantity of the cumulated subject imports of small diameter seamless carbon pipe increased significantly from 1997 to 1998, rising from *** short tons in 1997 to *** short tons in 1998. However, the quantity of the subject imports then fell substantially in 1999, to *** short tons. Although the absolute volume of the subject imports declined in 1999 to a level below their volume in 1997, that decline occurred during a period of very significant declines in consumption. In fact, the overall percentage decline in the absolute quantity of the subject imports during the period of investigation was essentially equivalent to the percentage decline in the apparent consumption level during the same period.[78]

The market share of the cumulated subject imports increased significantly from 1997 to 1998 but then declined to 1997 levels in 1999. The market share of the cumulated subject imports increased from *** percent in 1997 to *** percent in 1998 but then declined to *** percent in 1999. Although these volume trends might otherwise suggest that the cumulated imports had not had a significant volume effect on the industry during the period of investigation, the record of this investigation indicates that the decline in the market share of the subject imports in 1999 back to their 1997 was primarily a result of two factors.

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[74] CR at V-6, PR at V-5.

[75] CR at VII-1, PR at VII-1.

[76] CR and PR at Table C-1.

[77] 19 U.S.C. § 1677(7)(C)(i).

[78] CR and PR at Table C-3.

First, the record indicates that the decline in the market share of the imports in 1999 is attributable, in significant part, to a decision on the part of the domestic industry to regain its lost market share through aggressive price competition with the subject and nonsubject imports. In this regard, I note that the subject imports had gained significant amounts of market share in 1998 at the direct expense of the domestic industry. In 1998, the cumulated subject imports gained *** percent of the market while the industry lost *** percentage points of their market share in that year.[79] In 1999, the domestic industry regained significant levels of market share from the subject imports but did only after reducing prices significantly on certain products on which there was head-to-head competition between the domestic and subject producers.[80] Given this, I believe that the record indicates that, during a period of declining demand, the subject imports achieved significant market share increases in 1998 through LTFV pricing practices. The domestic industry was only able to regain that volume through aggressive price competition in 1999.

Second, the record also indicates that the quantities and market share of the subject imports were significantly affected by the filing of the antidumping petition in June 1999. Indeed, the record indicates that there was a decline in the relative volumes of the subject imports after the filing of the petition in 1999.[81] Nonetheless, even after this decline from 1998 levels, the market share of the subject imports in 1999 was *** percent, which was slightly higher than their market share in 1999.[82] This suggests that, absent the filing of the petition, the subject imports would have obtained an even more significant share of the market in 1999 than they did.

Accordingly, I find the volume of subject imports of small diameter seamless pipe to be significant.

D. Price Effects of the Cumulated Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic 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.[83]

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[79] CR and PR at Table C-3.

[80] CR and PR at Tables V-1-6 & Figures V-2-13.

[81] The decline in imports in the fourth quarter of 1999 is confirmed by Census data, which may include nonsubject pipe as well as subject pipe, but are nevertheless indicative of the trends in the subject small diameter pipe market. South African Respondents' Posthearing Brief, Annex 2.

[82] CR and PR at Table IV-7.

[83] 19 U.S.C. § 1677(7)(C)(ii).

I find that the cumulated subject imports have been underselling the domestic merchandise significantly during the period and that this underselling has had significant adverse price effects on the domestic merchandise. As an initial matter, I note that the record indicates that price is an important factor in the purchase decision and that there is a moderately high to high level of substitutability between the cumulated subject imports and the domestic merchandise. Accordingly, this indicates that the subject imports are more likely to be able to have significant adverse effects on domestic prices through aggressive price competition. In this case, the record indicates that the subject imports have engaged in aggressive price competition with the domestic merchandise and that they have had adverse effects on domestic prices as a result of that competition.

In particular, I note that the our price comparison data indicates that the subject imports engaged in aggressive underselling throughout the period of investigation. The subject imports undersold the domestic merchandise in all possible quarterly price comparisons for price comparison product 1, in 41 of 45 quarterly comparisons for product 2, and in 24 of 32 quarterly comparisons for product 3.[84] Moreover, the Commission's price comparison data in this investigation indicates this consistent underselling by the subject imports, often by significant margins, resulted in a significant downward pressure on domestic prices.[85] In this regard, the price comparison data for products 2 and 3 (the largest volume price comparison products) show that domestic prices for these products began declining in mid- to late-1998 and continued declining throughout 1999, primarily in response to significant and continued price underselling by subject imports during a period of significant demand declines.[86] Given the trends evident from the price comparison data, I find that the subject imports have had a significant depressing effect on domestic prices.

When performing my price analysis in this proceeding, I have closely examined the dramatic decline in demand for small diameter carbon pipe during the period of investigation. While this decline did clearly have an effect on small diameter carbon pipe prices, I believe that it does not fully explain the domestic price declines evidenced in the record. As previously noted, the record indicates that the subject imports consistently undersold the domestic merchandise throughout the period of investigation, that they increased their market share significantly in 1998 when demand was declining, and that they led domestic prices downward during 1998 and 1999 as demand continued to decline. All of this suggests that the subject imports significantly exacerbated the domestic price declines that would otherwise have occurred during a period of significantly declining demand.

Accordingly, I find that the subject imports have had significant adverse effects on domestic prices during the period of investigation.

E. Impact of the Cumulated Subject Imports on the Domestic Industry

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on

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[84] CR and PR at Tables V-3 and V-5.

[85] CR and PR at Tables V-1 through V-6.

[86] CR and PR at Tables V-1 through V-6.

the state of the industry."[87] 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. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the industry."[88]

I find that the subject imports have had a significant negative impact on the condition of the industry during the period of investigation. As I noted previously, the record indicates that the subject imports have had significant adverse volume and price effects on the domestic industry during the period of investigation. Due to this significant competitive impact from the subject imports, the financial condition of the industry has eroded significantly during the period of investigation. In particular, the domestic industry's operating income fell from $*** in 1997 to $*** in 1998, and then declined even further to an operating loss of $*** in 1999.[89] Similarly, the industry's operating income as a percentage of sales declined from *** percent in 1997 to *** percent in 1998 and then to a loss of *** percent in 1999. Moreover, from 1997 to 1999, the industry experienced significant declines in its production and capacity utilization levels, its shipments, inventories and net sales, and its employment data.[90] Furthermore, the industry experienced declines in its average unit prices at the same time that it experienced significant increases in its unit cost of goods sold and SG&A.[91] Accordingly, as a result of price competition from the subject imports, in significant part, the industry was caught in an increasingly difficult cost/price squeeze.

I recognize that a substantial portion of the domestic industry's revenue and production declines occurred during a significant decline in demand for small diameter seamless carbon pipe. As I previously discussed, however, the record of this investigation indicates that the decline in the industry's condition was also attributable in significant part to price competition from subject imports, particularly in 1999, when the domestic industry was forced to lower its prices significantly in order to recapture substantial market share lost in 1998 to the low-priced subject imports. As I mentioned previously, competition from the subject imports significantly exacerbated the effects of the decline in demand on an increasingly unprofitable and poorly performing industry.

The respondents have argued that any injury to the domestic industry was temporary, and that the industry has already returned to health, in light of recent upturns in oil and gas prices. While small diameter seamless pipe prices have increased somewhat as conditions in the oil and gas industry have

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[87] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[88] 19 U.S.C. § 1677(7)(C)(iii).

[89] CR and PR at Table VI-1.

[90] CR and PR at Table C-3.

[91] CR and PR at Table C-3. In particular, the industry's unit cost of goods sold increased from $*** in 1997 to $*** in 1998 and then to $*** dollars in 1999. As a result, the industry's ratio of COGS to sales increased from *** percent in 1997 to *** percent in 1998 to *** percent in 1999. In this regard, I have examined closely the nature of the supply relationship between *** to assess the ***. I find that *** However, that impact was not substantial enough to change my determination in these investigations.

improved, they are still below their 1997 levels before the surge in subject imports.[92] Moreover, recent improvements in the condition of the domestic industry have been modest, and are partly attributable to the filing of these petitions, which caused subject imports to decline and in some cases withdraw from the market.[93]

Accordingly, I find that the cumulated subject imports have had a significant adverse impact on the domestic small diameter seamless carbon pipe industry.

F. Critical Circumstances

Commerce made affirmative findings of critical circumstances with respect to Japanese small diameter seamless pipe imports from Sumitomo Metal Industries, Kawasaki Steel Corp., and Nippon Steel Corp., and with respect to South African small diameter seamless pipe imports from Iscor Ltd. Because I have determined that the domestic small diameter seamless carbon pipe industry is materially injured by reason of subject small diameter imports from Japan and South Africa, I must further determine "whether the imports subject to the affirmative {Commerce critical circumstances} determination . . . are likely to undermine seriously the remedial effect of the antidumping duty order to be issued."[94] The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order."[95] The statute further provides that in making this determination the Commission shall consider the timing and the volume of the imports, any rapid increase in inventories of the imports, and any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.[96]

Consistent with existing Commission practice, when considering the timing and volume of subject imports, I have compared the import quantities during the six-month period prior to the filing of the petition with those during the six-month period subsequent to the filing of the petition.[97] The record contains monthly export data for the firms subject to the affirmative Commerce critical circumstances determination. These data indicate that imports from Japan subject to Commerce's affirmative critical circumstances determination were lower in the period following filing of the petition than in the period preceding it.[98] Although the record does not contain information specifically concerning inventories of imports of those firms subject to the Commerce affirmative critical circumstances finding, the available information concerning inventories of all subject small diameter pipe imports from Japan in the United States indicates that these inventories did not increase during the post-petition period.[99] Because the record indicates that there was no substantial increase in those imports from Japan subject to the

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[92] Hearing Transcript at 42 (Ramsey), 45 (Gajdzik).

[93] Hearing Transcript at 42 (Ramsey), 45 (Gajdzik); 282 (Nolan).

[94] 19 U.S.C. § 1673d(b)(4)(A)(i).

[95] SAA at 877.

[96] 19 U.S.C. § 1673d(b)(4)(A)(ii).

[97] *See, e.g.*, Preserved Mushrooms from China, India, and Indonesia, Invs. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 at 24 (Feb. 1999).

[98] CR and PR at Table IV-9.

[99] CR and PR at Table VII-9.

Commerce affirmative critical circumstances finding in the period immediately following filing of the petition and there was not a substantial increase in inventories of these imports, I find that these imports will not seriously undermine the remedial effect of the antidumping duty order.[100]

Imports from South Africa subject to Commerce's affirmative critical circumstances finding did increase in the post-petition period, although the absolute increase was ***. These imports were *** short tons in July-December 1999, as compared to *** short tons in the period January-June 1999. Moreover, the available data indicate that inventory levels for all subject imports from South Africa increased only very modestly during 1999.[101] In light of this data, I find that the subject imports from South Africa subject to the Commerce critical circumstances finding will not seriously undermine the remedial effect of the antidumping order,, notwithstanding the volume increase in the post-petition period.[102]

Accordingly, I make negative critical circumstances determinations concerning small diameter seamless carbon pipe from Japan and South Africa.

IV. MATERIAL INJURY BY REASON OF LTFV IMPORTS OF LARGE DIAMETER SEAMLESS CARBON PIPE FROM JAPAN

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports under investigation.[103] In making this determination, the Commission must consider the volume of the subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[104] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[105] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United

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[100] The petitions were filed on June 30, 1999. Comparing imports during the six-month period from January 1999 to June 1999 with imports during the six-month period from July 1999 to December 1999, the volume of the Japanese seamless carbon pipe imports subject to the critical circumstances finding fell from *** short tons to *** short tons. Furthermore, as of December 31, 1998, U.S. inventories of small diameter pipe from Japan were *** short tons; as of December 31, 1999, U.S. inventories of small diameter pipe from Japan were *** short tons.

[101] CR and PR at Table VII-9.

[102] The petitions were filed on June 30, 1999. Comparing imports during the six-month period from January 1999 to June 1999 with imports during the six-month period from July 1999 to December 1999, the volume of the South African seamless carbon pipe imports subject to the critical circumstances finding rose from *** short tons to *** short tons. Furthermore, as of December 31, 1998, U.S. inventories of small diameter pipe from South Africa were *** short tons; as of December 31, 1999, U.S. inventories of small diameter pipe from South Africa were *** short tons.

[103] 19 U.S.C. § 1673d(b).

[104] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[105] 19 U.S.C. § 1677(7)(A).

States.[106] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[107]

For the reasons discussed below, I determine that the domestic industry producing large diameter seamless carbon pipe is materially injured by reason of LTFV imports of large diameter seamless carbon pipe from Japan.

A. Cumulation

1. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, Section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like product in the U.S. market.[108] In assessing whether subject imports compete with each other and with the domestic like product,[109] the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject 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 subject imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

(4) whether the subject imports are simultaneously present in the market.[110]

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

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[106] 19 U.S.C. § 1677(7)(C)(iii).

[107] 19 U.S.C. § 1677(7)(C)(iii).

[108] 19 U.S.C. § 1677(7)(G)(i).

[109] The SAA expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848, citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

[110] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (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).

compete with each other and with the domestic like product.[111] Only a "reasonable overlap" of competition is required.[112]

Because the petitions in the investigations concerning large diameter seamless carbon and alloy pipe from Japan and Mexico were filed on the same day, I am required to assess whether the subject imports of large diameter seamless carbon pipe from Japan and Mexico compete with each other and with the domestic merchandise.[113] For the reasons discussed below, I find that there is a reasonable overlap of competition among imports of large diameter seamless carbon pipe from Japan and Mexico and the domestic merchandise. I therefore cumulate them for purposes of my injury analysis in this proceeding.

First, I find that there is a reasonable degree of fungibility among large diameter seamless carbon pipe from the two subject countries and the domestic merchandise. The record indicates that there are some quality differences between the subject imports and the domestic merchandise and that the substitutability of the domestic and subject merchandise may be somewhat limited by other non-price factors such as lead times, availability, product range and reliability.[114] However, most purchasers reported that the subject imports from Japan and Mexico were always or usually interchangeable with each other and the domestic product.

Moreover, while some purchasers reported that Japan seamless pipe was of higher quality than Mexican, the majority of responding purchasers reported that imports from both countries were comparable to the United States product.[115] Further, the data submitted by Mexican respondent TAMSA show that commodity large pipe products constituted *** of large diameter pipe imports from Mexico during each year of the period of the investigation,[116] while the Japanese respondents acknowledge that the portion of common grade products in the mix of their imports rose in 1999.[117] In light of the foregoing, I find that there is at least a moderate to moderately high level of substitutability among the subject imports and the domestic merchandise, which indicates that there is a moderate to moderately high degree of fungibility among the merchandise.

Second, the record indicates that the subject imports were simultaneously present throughout most of the period of investigation. The subject imports of large diameter carbon pipe from Japan and Mexico were present in the United States during every month of the period of investigation.[118] In addition, the record indicates that Mexican and Japanese imports were generally sold in similar same channels of trade as the domestic merchandise. In 1999, the majority of domestic large diameter carbon

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[111] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[112] See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[113] None of the four statutory exceptions to the general cumulation rule applies for purposes of this determination.

[114] CR at II-2, 4-6, 10, 13, PR at II-4-6, 9.

[115] CR at II-20-23, 27-28, PR at II-12-19.

[116] Mexican Respondent's Posthearing Brief at Q-6 to Q-7.

[117] Japanese Respondents' Posthearing Brief at 8-9.

[118] Petitioners' Prehearing Brief, Exh. 23.

pipe production and subject large diameter imports from Japan and a substantial proportion of subject large diameter subject imports from Mexico were shipped to distributors.

Finally, the record indicates that the subject imports and the domestic merchandise were available throughout the United States during the period of investigation. The four domestic producers sold large diameter seamless carbon pipe throughout the nation during the period. The Japanese imports of large diameter carbon pipe were present in all geographic regions of the United States, while Mexican large diameter pipe was available in the ***.[119]

Accordingly, I find that there is a reasonably high degree of fungibility between the subject imports and the domestic merchandise, that there was a reasonable degree of geographic overlap among the imports and the domestic merchandise, and that the subject imports and the domestic merchandise were sold simultaneously throughout the period of investigation and in the same channels of trade. Consequently, I have cumulated the subject imports from Japan and Mexico for the purpose of analyzing whether the domestic industry has been materially injured by reason of the subject imports of large diameter seamless carbon pipe.

B. Conditions of Competition

The market for large diameter seamless carbon pipe in the United States is characterized by the following conditions of competition:

First, demand for large diameter seamless carbon pipe is derived to a great degree from demand for pipe in the oil and gas industries.[120] Accordingly, increases and decreases in oil and gas prices generally have a direct effect on demand for large diameter seamless carbon pipe.[121] In fact, because large diameter seamless carbon pipe is more often used in oil and gas uses that small diameter seamless pipe, large diameter pipe demand is more directly linked to oil and gas prices.[122] Nonetheless, because large diameter seamless pipe is not used solely for oil and gas purposes,[123] demand in other end use industries will also affect demand for demand for large diameter seamless pipe products.

Generally, both domestic producers and importers agree that demand was strong for large diameter seamless pipe in 1996. After that, there is some disagreement about trends in demand, with some producers and importers reporting that demand for large diameter pipe peaked in 1997 and that demand collapsed in 1997 as oil and gas prices fell.[124] Other market participants report that demand has remained flat in certain end uses.[125] Recently, oil and gas prices have begun to rebound, which suggests that demand for large diameter carbon pipe will be recovering as well.

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[119] CR at II-2; PR at II-2.

[120] CR at II-4 & II-11-12, PR at II-3 & II-7-8.

[121] CR at II-4-5 & 11-12, PR at II-3 & II-7-8.

[122] CR at II-4-5, PR at II-3.

[123] As indicated above, demand for seamless pipe is also derived from demand for pipe in refineries, petrochemicals, large sports stadiums, pipe nipples and couplings, and chemical and plastics plants.

[124] CR at II-11, PR at II-7-8.

[125] CR at II-11-12, PR at II-7-8.

Apparent consumption of large diameter carbon pipe has fallen significantly during the period.[126] Apparent consumption of large diameter carbon pipe declined from *** short tons in 1997 to *** short tons in 1998 and then to *** short tons in 1999, for an overall decline of *** percent during the period of investigation.[127]

Second, the domestic industry producing large diameter carbon pipe has experienced significant declines in capacity utilization during the period. Domestic capacity utilization for large diameter carbon pipe declined from *** percent in 1997 to *** percent in 1998 to *** percent in 1999.[128] Nonetheless, the industry reports that its capacity increased by *** percent during the period, from *** short tons in 1997 to *** short tons in 1999.[129]

Third, there is some differential between the channels of trade served by the domestic industry and importers, with *** of domestic shipments of large seamless carbon pipe being sold to distributors and *** percent being sold to end users. Approximately *** percent of import shipments of large diameter seamless pipe are sold to distributors and *** percent being sold to end users.[130] There are at least 1,000 pipe distributors in the U.S. but the major producers sell to between 20 and 40 distributors.[131]

Fourth, the record indicates that there is at least a moderately high degree of substitutability between the domestic and subject merchandise. Generally, producers, importers and purchasers reported that imports from the subject countries were always or frequently interchangeable for the domestic merchandise.[132] While there were some variations among the countries, the purchaser responses on the whole indicate that imports from Mexico and Japan were reasonably comparable to the subject merchandise.[133] Nonetheless, the record indicates that there are limits on the substitutability of the domestic and subject merchandise. First, the lead times for domestic merchandise are considerably shorter than that for the subject merchandise, as the domestic producers have lead times of between one to 14 days while the subject importers have lead times from 45 days to six months.[134] Moreover, the large majority of purchasers report that they always or usually know the country of origin for their pipe

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[126] CR and PR at Table C-2.

[127] CR and PR at Table C-3. Because there was no domestic production of large diameter seamless alloy during the period of investigation and *** amounts of subject large diameter alloy pipe from Japan were imported during the period (***), I have relied on the total subject large diameter seamless pipe data in the staff report for my analysis of this domestic like product.

[128] CR and PR at Table C-2.

[129] CR and PR at Table C-2.

[130] CR and PR at Table I-4.

[131] CR at II-2, PR at II-2.

[132] CR at II-17-26, PR at II-12-18.

[133] CR at II-17-26, PR at II-12-18.

[134] CR at II-13, PR at II-9.

and that it is always or usually important for them.[135] Moreover, most purchasers report using a limited number of suppliers (ranging from 2 to 6) and that they rarely or infrequently change their suppliers.[136]

Fifth, price is an important aspect of the purchase decision for large diameter seamless pipe. In this regard, twenty-one of 24 purchasers reported that price is one of the three most important factors in the purchase decision for seamless pipe. Nonetheless, I note that only two purchasers rated price as the most important factor in the purchase decision, while twelve of 23 rated quality as the most important factor in the purchase decision.[137] Similarly, 23 of 24 purchasers reported that the lowest price will not always win the sale, noting that other factors (such as quality, presence on the approved manufacturers lists, supplier reputation, etc.) are important considerations in the purchase decision.[138] Moreover, on average, price was rated only the sixth most important of the most important factors in the purchase decision, with product quality and consistency being the most important factors on average.[139] These considerations, together with the quality and lead time issues discussed above, indicate that large diameter seamless carbon pipe products are not simply commodity-style, highly fungible products.

Sixth, the methodology for establishing prices in the seamless pipe market varies somewhat for the domestic producers and importers. Generally, domestic producers set prices on the basis of published price lists, while importers set prices on a transaction-specific basis.[140] However, domestic producers assert that, in mid-1998, price lists became increasingly less relevant to the prices they negotiated with their purchasers.[141] Most domestic producers offer discounts based on volume while the majority of importers do not.

Seventh, purchasers generally report that the domestic large diameter pipe producers USS-Fairfield and Northstar were the price leaders in the large diameter seamless carbon pipe market, with a minority reporting that subject importers were price leaders.[142] However, a small number of purchasers reported that subject producers, in particular Japan, led prices downward in 1998-1999.[143]

Eighth, Venezuela and Mexico have initiated antidumping investigations against the subject imports from Japan in 1999.[144]

Finally, there is a significant nonsubject import presence in the market. Nonsubject imports occupied *** percent of the large diameter market in 1997, *** percent in 1998, and *** percent in 1999.

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[135] CR at II-14, PR at II-10.

[136] CR at II-15, PR at II-10.

[137] CR at II-15, PR at II-11.

[138] CR at II-15, PR at II-11.

[139] CR at II-17, PR at II-12.

[140] CR at V-5, PR at V-5.

[141] CR at V-5, PR at V-5.

[142] CR at V-6, PR at V-5-6.

[143] CR at V-6, PR at V-5.

[144] CR at VII-1, PR at VII-1.

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I have taken all of these conditions of competition into account in my analysis.

C. Volume of the Cumulated Subject Imports

Section 771(7)(C)(i) of the Act provides that 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."[145]

I find that the cumulated volume of the subject large diameter seamless carbon pipe imports is significant. On an absolute level, the quantity of the subject imports increased from *** short tons in 1997 to *** short tons in 1998. The quantity of the subject imports then declined to *** tons in 1999, which was a *** decline from 1997 but was still *** above 1997 volume levels. Although this quantity fluctuation might not be significant in the context of another case (given the decline back to 1997 quantity levels in 1999), these fluctuations occurred during a period of significant declines in overall demand for large diameter seamless carbon pipe. As a result of these demand decreases, the market share of the subject imports increased significantly between 1997 and 1998, rising from *** percent to *** percent in 1998. The market share of the subject imports remained at this level in 1999, as they continued to occupy *** percent of the market. Given that the industry has experienced significant price declines and lessened profitability during this period of increased subject import market penetration, I find that this increase in their volume and market share is significant.

Although the market penetration of the subject imports remained at a higher level in 1999 than in 1997, I note that the industry was able to able to regain significant levels of market share in 1999, primarily at the expense of nonsubject imports. While this might otherwise indicate that the subject imports have not had a significant volume effect on the industry during the period, I believe that the increase in the industry's market share was due to two factors that indicate that the volume of the subject imports has been significant during the period. First, the record indicates that the increase in the market share of the industry in 1999 is attributable, in significant part, to a decision on the part of the domestic industry to regain its lost market share through aggressive price competition with the subject and nonsubject imports. Second, the record further suggests that the quantities and market share of the subject imports may have been significantly affected by the filing of the antidumping petition in June 1999. Thus, absent the filing of the petition, the subject imports would have obtained an even more significant share of the market in 1999 than they did.

Accordingly, I find the volume of subject imports of large diameter seamless carbon pipe to be significant.

D. Price Effects of the Cumulated Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

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[145] 19 U.S.C. § 1677(7)(C)(i).

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic 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.[146]

I find that the cumulated subject imports have had significant adverse effects on domestic prices during the period of investigation. As an initial matter, I note that the record indicates that price is an important factor in the purchase decision and that there is a moderately high to high level of substitutability between the cumulated subject and the domestic merchandise. Accordingly, given these factors, the subject imports are more likely to be able to have significant adverse effects on domestic prices through aggressive price competition. In this case, the record indicates that the subject imports have engaged in aggressive price competition and that they have had adverse price effects as a result of that competition.

In particular, I note that, while it is somewhat limited, our price comparison data indicates that the subject imports (those from Japan in particular) began aggressively underselling the domestic merchandise during the latter half of 1998 and continued to do so during 1999.[147] This aggressive underselling occurred during a period of significant demand declines.[148] Due to this aggressive price competition by the subject imports during a period of demand declines, the domestic industry was forced to lower its prices significantly in order to meet that price competition and regain market share.[149] As a result of their decision to meet subject prices, the domestic industry regained some market share but did so at the expense of significantly lower domestic prices and profitability.[150] To support this conclusion, I have relied in part on the average unit value of the domestic and subject merchandise.[151] Although this data may have some difficulties because of product mix issues, I do note that the price of both the subject and domestic merchandise exhibited significant downward trends during 1998 and 1999.

I have closely examined the significant decline in demand for large diameter carbon pipe during the period of investigation to assess whether it was responsible for the domestic price declines. While the decline in demand clearly did have some effect on large diameter carbon pipe prices, I believe that it does not fully explain the domestic price declines evidenced in 1998 and 1999. As previously noted, the record indicates that the subject imports undersold the domestic merchandise in a significant number of instances during the latter half of the period of investigation, that they increased their market share significantly in 1998 when demand was declining, and that domestic prices declined during the latter half of 1998 and 1999 as demand continued to decline. All of this suggests that the subject imports

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[146] 19 U.S.C. § 1677(7)(C)(ii).

[147] CR and PR at Table V-7 & Figure 4.

[148] CR and PR at Table C-2.

[149] CR and PR at Table V-7 & Figure 4. In this regard, I note that domestic prices declined significantly during the period of investigation, from $*** per short ton in 1997 to $*** per short ton in 1999.

[150] CR and PR at Table C-2.

[151] CR and PR at Table C-2.

significantly exacerbated the domestic price declines that would otherwise have occurred during a period of significantly declining demand.

Accordingly, I find that the subject imports have had significant adverse effects on domestic prices during the period of investigation.

E. Impact of the Cumulated Subject Imports on the Domestic Industry

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[152] 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. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the industry."[153]

I find that the subject imports have had a significant negative impact on the condition of the industry during the period of investigation. As I noted previously, the record indicates that the subject imports have had a significant adverse volume and price effects on the domestic industry during the period of investigation. As a result of this competitive impact from the subject imports, the financial condition of the industry has eroded significantly during the period of investigation. In particular, the industry's operating income declined from $*** in 1997 to $*** in 1998, and declined further to $*** in 1999.[154] Similarly, the industry's operating income as a percentage of sales declined from *** percent in 1997 to *** percent in 1998 and then to *** percent in 1999. Moreover, from 1997 to 1999, the industry experienced significant declines in its production and capacity utilization levels, its shipments, inventories and net sales, and its employment data.[155] Furthermore, the industry experienced declines in its average unit prices at the same time that it experienced increases in its unit cost of goods sold and S,G&A.[156] Thus, as a result of price competition from the subject imports and a decline in demand, the industry was caught in an increasingly difficult cost/price squeeze during the latter half of the period of investigation. Given the foregoing, I find that the declines in the industry's financial results were due, in significant part, to the adverse impact of the subject imports.

As indicated, I recognize that a substantial portion of the domestic industry's price declines were attributable to the significant decline in demand for large diameter seamless carbon pipe. As I

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[152] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[153] 19 U.S.C. § 1677(7)(C)(iii).

[154] CR and PR at Table VI-2.

[155] CR and PR at Table C-3.

[156] CR and PR at Table C-3. During the period of investigation, the industry's ratio of cost of goods sold to sales increased from *** percent in 1997 to *** percent in 1998 and then to *** percent in 1999. As I discussed previously, I closely examined the *** INV-X-128, I find that it did not change the operating results of the overall industry significantly enough that it would affect my final determination in this investigation.

previously discussed, however, the record of this investigation indicates that these price declines were also attributable in significant part to price competition from subject imports, particularly in 1999, when the domestic industry was forced to lower its prices significantly in order to recapture substantial market share lost to the low-priced subject imports. As I mentioned previously, I believe the subject imports significantly exacerbated the effects of the decline in demand on an increasingly unprofitable and poorly performing industry.

The respondents have also argued that any injury to the domestic industry was temporary, and that the industry has already returned to health, in light of recent upturns in oil and gas prices.[157] While large diameter seamless pipe prices have increased modestly as conditions in the oil and gas industry have improved, they are still below their levels in 1997 before the surge in subject imports, and demand for large diameter pipe has likewise not returned to its past levels Moreover, the modest improvements in the condition of the domestic industry are partly attributable to the filing of the petitions, which caused subject imports to decline.[158]

Accordingly, I find that the cumulated subject imports from Japan and Mexico have had a significant adverse impact on the domestic large diameter seamless carbon pipe industry.

V. NO MATERIAL INJURY OR THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS OF SMALL DIAMETER SEAMLESS ALLOY PIPE FROM JAPAN AND SOUTH AFRICA

For the reasons discussed below, I determine that the domestic industry producing small diameter seamless alloy pipe is not materially injured or threatened with material injury by reason of LTFV imports of small diameter seamless alloy pipe from Japan. Moreover, I determine that the subject imports of small diameter seamless alloy pipe from South Africa are negligible.

A. Negligibility of Imports of Small Diameter Seamless Alloy Pipe from South Africa, the Czech Republic and Romania

As an initial matter, I note that the record indicates that there were only imports of subject small diameter seamless alloy pipe from Japan during the period of investigation and that only Japan and Romania had producers that produce seamless alloy pipe. Nonetheless, the scope of this investigation covers all small diameter seamless alloy pipe imports from the Czech Republic, Japan, Romania, and South Africa. Accordingly, I am required to consider whether imports from these countries of small diameter pipe are negligible and whether any of these countries should be cumulated with imports of small diameter alloy pipe from Japan.

Under the URAA, antidumping investigations terminate by operation of law without an injury determination if the Commission finds that the subject imports are negligible.[159] Imports from a subject country are considered negligible if they are less than 3 percent of the volume of all such merchandise imported into the United States in the most recent twelve-month period for which data are available that

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[157] Mexican Respondent's Posthearing Brief at 2-3.

[158] Hearing Transcript at 31 (Leland)

[159] 19 U.S.C. §1673b(a).

precedes the filing of the petition.[160] Negligibility decisions are to be made with respect to imports that correspond to a domestic like product identified by the Commission.[161] Moreover, any countries that are identified as being negligible and for which investigations are terminated are not eligible for cumulation with non-negligible countries subject to investigation.[162]

I find that the subject small diameter seamless alloy pipe imports from South Africa, the Czech Republic and Romania are negligible. As I indicated above, the record indicates that there were no imports of small diameter seamless alloy pipe from any of these countries during 1999, which is the most recent twelve-month period prior to the filing of the petition for which import information is available. In fact, there were no imports from any of these countries during the entire three year period of investigation. Given this, I find that imports of small diameter seamless alloy pipe from the three countries are negligible and will not imminently exceed the negligibility threshold.[163] Accordingly, I find that the investigation with respect to small diameter seamless alloy pipe from South Africa should be terminated. Moreover, I find that none of these countries are eligible for cumulation with the Japanese imports of small diameter seamless alloy pipe.[164]

B. No Material Injury By Reason of the Subject Imports of Small Diameter Seamless Alloy Pipe from Japan

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports under investigation.[165] In making this determination, the Commission must consider the volume of the subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[166]

1. Conditions of Competition

The market for small diameter seamless alloy pipe in the United States is characterized by the following conditions of competition:

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[160] 19 U.S.C. §1677(24)(A)(ii).

[161] 19 U.S.C. §1677(24)(A)(I).

[162] 19 U.S.C. §1677(7)(G)(ii)(II). Moreover, I also note that there is not a reasonable degree of overlap between imports frm South Africa, Romania and the Czech Republic with the Japanese imports or the domestic merchandise because there have been no imports of small diameter alloy pipe from these countries during the period of investigation. CR and PR at Table C-3.

[163] See 19 U.S.C. §1677(7)(24)(A)(iv).

[164] I do not make a finding that the investigation with respect to small diameter seamless alloy pipe imports from the Czech Republic and South Africa should be terminated because Commerce has not yet issued its final determination for these countries.

[165] 19 U.S.C. § 1673d(b).

[166] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

First, the market for small diameter alloy pipe is relatively small. Total small diameter seamless alloy pipe consumption was only *** short tons in 1999, which compares with an overall total consumption for small diameter seamless carbon pipe in 1999 of *** short tons and total large diameter seamless carbon pipe consumption of *** short tons in 1999.[167] The small diameter seamless alloy market is, therefore, less than *** percent of the size of the small diameter carbon pipe market and less than *** percent of the size of the large diameter carbon pipe market.[168] Apparent consumption of alloy small diameter seamless alloy pipe fell from 1997 to 1999.

Second, the domestic seamless pipe producers have generally chosen not to participate in this market and the producers who have chosen to participate make only a limited amount of seamless alloy pipe. Only two of the eight domestic seamless producers -- Michigan Specialty Steel and Gulf States -- produce small diameter alloy pipe.[169] More importantly, these two producers only produced a total of *** short tons of small diameter seamless alloy pipe in 1999, which represents only *** percent of the total small diameter seamless alloy market in 1999.[170]

Third, the small diameter seamless alloy pipe market is *** by imports and in recent years, by Japanese imports. The record indicates that the market share of all imports consistently ranged between *** and *** percent during the period of investigation. Moreover, the market share of the Japanese imports has consistently increased during the period, from *** percent in 1997 to *** percent in 1999. While nonsubject imports had a significant presence in the market, their market share fell from *** percent in 1997 to *** percent in 1999.[171] I find that the record of this investigation indicates that the domestic seamless pipe producers have ceded this market to imports and that they appear to have little interest in it.

I have taken all of these conditions of competition into account in my analysis.

2. Volume of Subject Imports

I find that the volume of the subject imports of small diameter seamless alloy pipe from Japan was not significant during the period of investigation. I recognize that, in this market, the volume of the subject imports was substantial and increasing, rising from *** in 1997 to *** in 1999. Moreover, the record indicates that the market share rose from *** percent in 1997 to *** percent in 1999.[172] However, the record does not indicate that these volume changes have had a significant volume impact on the domestic industry producing small diameter seamless alloy pipe.

In this regard, almost all of this increase came at the expense of nonsubject imports, not the domestic industry. During the period of investigation, the subject imports from Japan obtained almost all of their *** percentage point market share increase from nonsubject imports. Moreover, although the domestic industry did lose approximately *** percentage points of market share during the period, the

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[167] CR and PR at Table C-2-C-4.

[168] CR and PR at Table C-3.

[169] CR at III-1-2, PR at III-1.

[170] CR and PR at C-4.

[171] CR and PR at Table C-4.

[172] CR and PR at Table C-4.

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record indicates that it is unlikely that this market share decline was due to unfair competition from the subject imports from Japan. In fact, respondents and some distributors have indicated that the domestic industry focuses its small diameter alloy production efforts on sales with small turnaround times and high prices.[173] Moreover, the record also indicates that the domestic firms only produce alloy pipe ***,[174] while more than half of subject imports are ***.[175] Given these facts, the record clearly indicates that there is little, if any, actual competition for sales between the domestic product and subject imports.

Accordingly, I find that the volume of the subject imports is not significant.

2. Price Effects of Subject Imports

I also find that the subject imports have not had significant adverse price effects on the domestic merchandise. First, I note that there is little available price data for these products. However, the limited available data indicates that the subject imports have undersold the domestic merchandise significantly throughout the period (when average unit values are compared) but that domestic prices have actually increased significantly over the period of investigation.[176] This limited data suggests first that the price trends of the domestic merchandise have not been directly impacted by pricing pressures from the subject merchandise. Moreover, it also suggests that the domestic merchandise has a significantly different product mix and competes in very different segments of the market than the subject Japanese imports. As a result, I cannot find that the subject imports have had any impact on domestic prices during the period of investigation.

Accordingly, I find that the subject imports have not had a significant price depressing or suppressing effect on domestic prices.

3. Impact of the Subject Imports on the Domestic Industry

I also find that the subject imports have not had a significant impact on the domestic industry producing small diameter seamless alloy pipe. First, as I discussed above, the record indicates that the subject imports have had little or no volume or price effects on the domestic merchandise. As a result, the record also indicates that they have had little impact on the financial condition and operations of the industry. In this regard, I note that the domestic industry has enjoyed a *** profitability level throughout the period of investigation, with an operating income ratio remaining above the *** percent level throughout the period.[177] While there has been a decline in some industry indicators, including a drop in its ***, the industry is still *** profitable.[178] Although the domestic industry is a small player in

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[173] Hearing Transcript at 242 (Christopher) and 288 (Lawrence); Japanese Respondents' Posthearing Brief at 7.

[174] CR at III-1 to III-4, PR at III-1 to III-3; Questionnaire responses of *** and ***.

[175] Questionnaire responses of Japanese producers.

[176] CR and PR at Table C-4.

[177] CR and PR at Table C-4.

[178] CR and PR at Table C-4.

this market, with the ability to serve at most *** percent of the market,[179] it remains a healthy and well-established player that is not subject to impact from the Japanese imports.

Accordingly, I find that the subject imports of small diameter seamless alloy pipe have not caused material injury to the domestic industry.

C. NO THREAT OF MATERIAL INJURY BY REASON OF THE SUBJECT JAPANESE IMPORTS OF SMALL DIAMETER SEAMLESS ALLOY PIPE

In determining whether a domestic industry is threatened with material injury by reason of the subject imports, section 771(7)(F) of the Act requires an assessment of whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[180] Such a determination may not be made "on the basis of mere conjecture or supposition," and the threat factors must be considered "as a whole in making a determination whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued."[181] In making my determination, I have considered all statutory factors that are relevant to this investigation.[182]

As I discussed previously, the domestic industry continues to be extremely profitable. Although a small player in the small diameter seamless alloy market, the industry appears to be well established in its niche, producing a limited size range of products for quick turnaround, high value sales. Accordingly, I find that the industry is not vulnerable to the future impact of the subject imports or likely to become so in the imminent future.

I find that the subject Japanese imports do not threaten material injury to the industry. First, the small diameter alloy pipe industry in Japan has maintained a consistent and reasonably high rate of capacity utilization. Its capacity utilization rates exceeded *** percent during each year of the period of investigation and have, in fact, increased *** each year. Capacity utilization is projected to remain steady in 2000 and 2001.[183] Moreover, the share of the Japanese industry's alloy production that had been sent to the United States has declined each year of the period of investigation.

The volume of the subject imports has increased over the POI.[184] However, given the currently high market share held by subject imports, I find it unlikely that subject imports will continue to capture significant additional amounts of the market, given the remaining substantial presence of nonsubject imports. Moreover, because the limited record indicates that the domestic industry has established itself as a niche player in this market, I do not find that the capacity or volume data for the subject Japanese produces indicates that they are likely to increase their volumes to the United States in the imminent future in a manner that will have a significant impact on the industry.

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[179] CR and PR at Table C-4.

[180] 19 U.S.C. § 1673d(b) and 1677(7)(F)(ii).

[181] 19 U.S.C. § 1677(7)(F)(ii).

[182] 19 U.S.C. § 1677(7)(F)(I).

[183] INV-X-128 at 7.

[184] CR and PR at Table C-4.

I found above that subject imports are not having a significant depressing or suppressing effect on prices. The record does indicate that there is any imminent change in the conditions of competition in this market place that would cause the subject imports to have such an effect in the imminent future.

I also note that inventories of subject imports are extremely low and that the record contains no evidence of a significant negative effect on the domestic industry's development and production efforts. Indeed, the domestic industry appears to performing very profitably and clearly has the ability to undertake any necessary development or production efforts.[185]

There is some potential for product-shifting with respect to small diameter alloy pipe because other products can be produced on the same manufacturing equipment as small diameter seamless alloy pipe. However, the record contains little indication that the subject producers have actually shifted production between products or that they have the ability to do so rapidly. Finally, although small diameter seamless pipe is subject to antidumping investigations in Mexico and Venezuela,[186] these investigations are ongoing and it would be speculative to assume that they will result in affirmative findings. Finally, the record does not indicate that there are any other demonstrable adverse trends indicating a likelihood of material injury by reason of subject imports.

Accordingly, I find that the domestic industry producing small diameter seamless alloy pipe is not threatened with material injury by reason of subject imports of small diameter seamless alloy pipe from Japan.[187]

VI. NO MATERIAL INJURY OR THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS OF LARGE DIAMETER SEAMLESS ALLOY PIPE FROM JAPAN

For the reasons discussed below, I determine that the domestic industry producing small diameter seamless alloy pipe is not materially injured or threatened with material injury by reason of LTFV imports of large diameter seamless alloy pipe from Japan. As I discussed previously, the record of this investigation indicates that there was no domestic production of large diameter seamless alloy pipe covered by the scope of this investigation during the period of investigation. Accordingly, I have analyzed the current and likely impact of the subject imports of large diameter seamless alloy pipe from Japan on the industry producing small diameter seamless alloy pipe, which is the domestic product most similar in characteristics and uses to the subject imports.

As an initial matter, I note that the record indicates that there were no imports of large diameter seamless alloy pipe from Mexico during 1998, which is the most recent twelve month period prior to the filing of the petition for which we have import data. Accordingly, I find that the subject imports of large

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[185] CR and PR at Table C-4.

[186] CR at VII-1, PR at VII-1.

[187] Because I do not make an affirmative finding for small diameter seamless alloy imports from Japan and South Africa, I do not need to make a finding with respect to critical circumstances. However, I note that I would have not found that critical circumstances exist with respect to Japanese alloy imports because of the significant decline in the volume of those imports during the six month period after the filing of the petition compared with the six-month period prior to the filing of the petition. CR and PR at Table IV-9.

diameter seamless alloy pipe from Mexico are negligible and are not likely to exceed that threshold in the imminent future. Accordingly, they are not eligible for cumulation with those imports from Japan.[188]

As for Japan, the record indicates that there were only a minimal level of imports of large diameter seamless alloy pipe from Japan during the period of investigation. For example, in 1999, there were only *** tons of large alloy pipe imported from Japan.[189] Moreover, the record contains no evidence indicating that this minimal volume of imports had any significant volume or price impact on the industry producing small diameter seamless alloy pipe. Accordingly, I find that the subject large diameter seamless alloy pipe imports from Japan have had no significant volume or price impact on the small diameter alloy pipe industry, which remains a highly profitable industry, as I discussed previously. Accordingly, I find that the small diameter seamless alloy pipe industry is not being materially injured by reason of the subject imports from Japan.

I have also considered whether large diameter seamless alloy pipe imports from Japan threaten material injury to the industry producing small diameter seamless alloy pipe. As I have previously discussed, the small diameter alloy pipe industry is not currently vulnerable to the future effects of imports. Moreover, although the Japanese large seamless alloy pipe industry does have substantial available capacity that could be used to ship additional imports to the United States,[190] the limited record with respect to this merchandise indicates that there is little, if any, perceptible impact from the subject imports on the small diameter alloy pipe industry and that there has not been a significant or rapid increase in the volume of the subject imports during the period of investigation. I do not find that it is likely that either of these circumstances are likely to change significantly in the imminent future. Further, as I have discussed above, there is little evidence that the subject large diameter alloy imports have had any perceptible impact on domestic prices of small diameter seamless alloy pipe. I see nothing in the record that suggests that this will change in the imminent future. Finally, I have considered all of the other threat factors with respect to this product and see nothing in the record that indicates that there is a clear and imminent threat of injury by reason of the large diameter imports to the industry.

Accordingly, I find that an industry in the United States is not materially injured or threatened with material injury by reason of the subject imports of large diameter seamless alloy pipe from Japan.

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[188] 19 U.S.C. §1677(7)(G)(i)(II).

[189] CR and PR at Table E-4.

[190] INV-X-128 at 7.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed on June 30, 1999, by counsel for Koppel Steel Corp. ("Koppel"), Beaver Falls, PA; Sharon Tube Co. ("Sharon"), Sharon, PA; U.S. Steel Group ("USS-Fairfield"), Fairfield, AL; USS/Kobe Steel Co. ("USS-Lorain"), Lorain, OH; and Vision Metals' Gulf States Tube Div. ("Gulf States"), Rosenberg, TX. The petitions alleged that industries in the United States are materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of certain small diameter seamless carbon and alloy steel standard, line, and pressure pipe[1] ("small diameter pipe") from the Czech Republic, Japan, Romania, and South Africa, and by LTFV imports of certain large diameter seamless carbon and alloy steel standard, line, and pressure pipe ("large diameter pipe") from Japan and Mexico.[2] Information relating to the background of the investigations is provided below.[3]

Date	*Action*
June 30, 1999	Petitions filed with Commerce and the Commission; institution of Commission investigations
July 28, 1999	Commerce's notice of initiation
August 23, 1999	Commission's preliminary determinations
December 14, 1999 .	Commerce's preliminary determinations on Japan and South Africa, and amendment of scope language for large diameter pipe
January 7, 2000	Scheduling of final phase of Commission investigations (65 FR 2430, January 14, 2000)
February 2, 2000 ...	Commerce's preliminary determination on Mexico (65 FR 5587, February 4, 2000)
February 4, 2000 ...	Commerce's preliminary determinations on the Czech Republic (65 FR 5599) and Romania (65 FR 5594)
February 18, 2000 ..	Revised schedule for the Commission's investigations (65 FR 10107, February 25, 2000)
March 9, 2000	Commerce's preliminary determinations of critical circumstances with regard to imports of small diameter pipe from Japan and South Africa
March 10, 2000	Commerce's amended preliminary determination on the Czech Republic (65 FR 12971)
March 14, 2000	Commerce's amended preliminary determination for Mexico (65 FR 13715)
May 3, 2000	Commerce's final determinations on Japan and South Africa (65 FR 25907, May 4, 2000)

[1] The products covered by these investigations are certain small and large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipe. A complete description of the imported products subject to investigation is presented in the section of this report entitled *The Products.*

[2] Koppel, Sharon, and Gulf States are not petitioners in the investigations regarding large diameter subject products.

[3] *Federal Register* notices cited in the tabulation are presented in app. A.

May 4, 2000	Commission's hearing[4]
May 22, 2000	Commerce's preliminary determination of critical circumstances with regard to imports of small diameter pipe from the Czech Republic (65 FR 33803, May 25, 2000)
June 9, 2000	Commission's votes on Japan and South Africa
June 16, 2000	Commission determinations transmitted to Commerce for Japan and South Africa
June 19, 2000	Scheduled date for Commerce's final determinations on the Czech Republic, Mexico, and Romania
July 13, 2000	Scheduled date for the Commission's votes on the Czech Republic, Mexico, and Romania
August 2, 2000	Commission determinations due to Commerce on the Czech Republic, Mexico, and Romania

SUMMARY DATA

Summaries of data collected in these investigations are presented in appendix C, tables C-1 to C-6. Except as noted, U.S. industry data are based on questionnaire responses of 8 firms that are believed to have accounted for the great majority of U.S. production of both small and large diameter pipe during 1997-99. U.S. import data are based on the questionnaire responses of 29 importers.

PREVIOUS INVESTIGATIONS

Small and large diameter pipe have been the subject of several Commission investigations. A listing of these investigations is presented in table I-1.

THE NATURE AND EXTENT OF SALES AT LTFV

In its preliminary and, for Japan and South Africa, final determinations, Commerce found that the subject products from the Czech Republic, Japan, Mexico, Romania, and South Africa are being, or are likely to be, sold in the United States at LTFV. The weighted-average dumping margins (in percent *ad valorem*) determined by Commerce for countries and companies subject to these investigations are presented in table I-2.

[4] App. B contains a list of witnesses that appeared at the hearing.

Table I-1
Small and large diameter pipe: Previous and related investigations, 1979-99

Item/source	Inv. No.	Date of inv.	Report No.	Action/status
Pipes and tubes of iron or steel from Japan[1]	731-TA-87 (P)	1982	USITC 1224	Affirmative/Negative[2]
Pipes and tubes of iron or steel from Japan	731-TA-87 (F)	1983	USITC 1347	Affirmative (Order date: 3/1/83) (Revocation date: 10/29/85)
Seamless carbon and alloy steel standard, line, and pressure pipe from: **CVD**--Italy	701-TA-362 (F)	1995	USITC 2910	Affirmative (Order date: 8/9/95)
AD--Argentina, Brazil, Germany, and Italy	731-TA-707-710 (F)	1995	USITC 2910	Affirmative (Order date: 8/3/95)

[1] Seamless heat-resisting and seamless stainless steel pipe were included within the scope of the investigations.

[2] 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.

Source: Compiled from U.S. International Trade Commission publications.

Table I-2
Small and large diameter pipe: Determinations of the Department of Commerce

Pipe size	Country	Producer/exporter	Margin percentage (*ad valorem*)	
			Preliminary rate	Final rate
Small diameter	Czech Republic	Nova Hut	32.26	(1)
		All others	32.26	(1)
	Japan	Kawasaki Steel	106.07	106.07
		Nippon Steel	106.07	106.07
		Sumitomo Metal Ind.	106.07	106.07
		All others	70.43	70.43
	Romania	Sota Communication	13.75	(1)
		Metal Business Int'l.	10.99	(1)
		Romania-wide rate	12.34	(1)
	South Africa	ISCOR	43.51	43.51
		All others	40.17	40.17
Large diameter	Japan	Kawasaki Steel	107.80	107.80
		Nippon Steel	107.80	107.80
		Sumitomo Metal Ind.	107.80	107.80
		All others	68.88	68.88
	Mexico	TAMSA	14.20	(1)
		All others	14.20	(1)

[1] Commerce's final determination for this producer/exporter is scheduled for June 19, 2000.

Source: Compiled from *Federal Register* notices of the U.S. Department of Commerce.

THE PRODUCTS

The imported products subject to these investigations are (1) large diameter (greater than 4.5 inches up to and including 16 inches in outside diameter ("OD")) seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes ("large diameter pipes") and (2) small diameter (less than or equal to 4.5 inches in OD) seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows ("small diameter pipes"), the foregoing 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. The subject products were further defined by Commerce as follows:[5]

Large Diameter Pipe[6]

For purposes of the large diameter seamless pipe investigation, the products covered are large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes produced, or equivalent, to the American Society for Testing and Materials (ASTM) A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of these investigations also includes all other products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification, with the exception of the exclusions discussed below. Specifically included within the scope of these investigations are seamless pipes greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in outside diameter, 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.[7]

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[5] Commerce Decision Memorandum, available at *www.ia.doc.gov/frn/summary/japan/00-11171-1.txt.*

[6] On September 3, 1999, March 9, 2000, and April 26, 2000, the petitioners requested that the scope of the investigations on large diameter pipe be amended to exclude products made to the ASTM A-335 specification and certain line pipe and riser pipe for deepwater applications. The requested changes were adopted by Commerce on May 4, 2000, and are reflected in the scope language presented here.

[7] The large diameter seamless pipes subject to these investigations are currently reported under statistical reporting numbers 7304.10.1030, 7304.10.1045, 7304.10.1060, 7304.10.5050, 7304.31.6050, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.39.0062, 7304.39.0068, 7304.39.0072, 7304.51.5060, 7304.59.6000, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050, 7304.59.8055, 7304.59.8060, 7304.59.8065, and 7304.59.8070 of the Harmonized Tariff Schedule of the United States (HTS). Although the HTS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

The column 1-general (normal trade relations) rates of duty for the subject products, applicable to Japan, range from 3 percent to 3.2 percent *ad valorem*. These duty rates became effective January 1, 2000; are subject to phased reduction pursuant to concessions granted by the United States under the Uruguay Round of Multilateral Trade Negotiations (Pres. Proc. 6763); and are scheduled to be eliminated on January 1, 2004. The column 1-special rates of duty for the subject products, applicable to eligible goods of Mexico, range from 2.2 percent to 2.4 percent *ad valorem*. These duty rates became effective January 1, 2000; are subject to phased reduction pursuant to concessions granted by the United States under the North American Free Trade Agreement; and are scheduled to be eliminated on January 1, 2003. Other products of Mexico are dutiable at the general rate for the subheading.

(continued...)

Specifications, Characteristics, and Uses: Large diameter seamless pipe is used primarily for line applications such as oil, gas, or water pipeline, or utility distribution systems. 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 ASTM A-106 standard may be used in temperatures of up to 1,000 degrees Fahrenheit, at various American Society of Mechanical Engineers (ASME) code stress levels. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106. 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. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

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 water well pipe (ASTM A-589) and seamless galvanized pipe for fire protection uses (ASTM A-795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53, API 5L-B, and API 5L-X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. 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 or quadruple certified pipes in large diameters is for use as oil and gas distribution lines for commercial applications. A more minor application for large diameter seamless pipes is for use in pressure piping systems by refineries, petrochemical plants, and chemical plants, as well as in power generation plants and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A-106 pipes may be used in some boiler applications.

The scope of these investigations includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, with the exception of the exclusions discussed below, whether or not also certified to a

[7] (...continued)

non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of these investigations. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications shall be covered if used in a standard, line, or pressure application, with the exception of the specific exclusions discussed below.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A-106 applications. These specifications generally include ASTM A-161, ASTM A-192, ASTM A-210, ASTM A-252, ASTM A-501, ASTM A-523, ASTM A-524, and ASTM A-618. 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 the scope of these investigations are:

A. Boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications.

B. Finished and unfinished oil country tubular goods (OCTG), if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line, or pressure applications.

C. Products produced to the A-335 specification unless they are used in an application that would normally utilize ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and API 5L specifications.

D. Line and riser pipe for deepwater application, *i.e.*, line and riser pipe that is (1) used in a deepwater application, which means for use in water depths of 1,500 feet or more; (2) intended for use in and is actually used for a specific deepwater project; (3) rated for a specified minimum yield strength of not less than 60,000 psi; and (4) not identified or certified through the use of a monogram, stencil, or otherwise marked with an API specification (*e.g.*, "API 5L").

Small Diameter Pipe

For purposes of the small diameter seamless pipe investigations, the products covered are seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of these investigations also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification. Specifically included within the scope of these investigations are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside

diameter, 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.[8]

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 ASTM A-106 standard may be used in temperatures of up to 1,000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipes made to ASTM A-335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A-106. 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. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A-333 or ASTM A-334 specifications.

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 water well pipe (ASTM A-589) and seamless galvanized pipe for fire protection uses (ASTM A-795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A-106, ASTM A-53, API 5L-B, and API 5L-X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. 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 or quadruple certified pipes is in pressure piping systems by refineries, petrochemical plants, and chemical plants. Other

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[8] The small diameter seamless pipes subject to these investigations are currently covered by statistical reporting numbers 7304.10.1020, 7304.10.5020, 7304.31.3000, 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 of the HTS. Although the HTS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

The column 1-general (normal trade relations) rates of duty for the subject products, applicable to the Czech Republic, Japan, Romania, and South Africa, range from 2.5 percent to 3.2 percent *ad valorem*. These duty rates became effective January 1, 2000; are subject to phased reduction pursuant to concessions granted by the United States under the Uruguay Round of Multilateral Trade Negotiations (Pres. Proc. 6763); and are scheduled to be eliminated on January 1, 2004.

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, ASTM A-106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/hydrostatic testing or other methods to enable the material to be sold under ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications.

The scope of these investigations includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, with the exception of the specific exclusions discussed below, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of these investigations. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications shall be covered if used in a standard, line, or pressure application, with the exception of the specific exclusions discussed below.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A-106 applications. These specifications generally include ASTM A-161, ASTM A-192, ASTM A-210, ASTM A-252, ASTM A-501, ASTM A-523, ASTM A-524, and ASTM A-618. When such pipes are used in a standard, line, or pressure pipe application, with the exception of the specific exclusions discussed below, such products are covered by the scope of these investigations.

Specifically excluded from the scope of these investigations are boiler tubing and mechanical tubing, if such products are not produced to ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished OCTG are excluded from the scope of these investigations, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line, or pressure applications.

Domestic Like Product Considerations

In its preliminary decision in the current investigations, the Commission determined that there are two domestic like products, corresponding to the two scopes of these investigations: small diameter pipe and large diameter pipe. However, the Commission indicated that it may revisit the issue in any final phase of the investigations.

Petitioners argue, on the basis of the factors the Commission considers in analyzing domestic like product issues,[9] that there should be two domestic like products: (1) small diameter standard, line, and pressure pipe, and (2) large diameter standard, line, and pressure pipe. In addition, petitioners argue that redraw hollows, when cold-drawn or otherwise processed to produce finished pipe, should be included in the small diameter domestic like product.[10]

Counsel for Japanese respondents contends that the Commission should find that small diameter alloy pressure pipe and small diameter carbon pressure pipe are two separate domestic like products.[11] Information provided by respondents in support of their request that small diameter alloy pipe be considered a separate domestic like product refers only to ASTM A-335 product.

Regarding its domestic like product determinations, the Commission considers whether there should be separate domestic like products based on a traditional analysis and/or on a semi-finished products analysis when analyzing whether a product at an earlier stage of its production process is "like" a finished or further processed product.[12] Information gathered during these investigations on the domestic like product factors is presented below.

Physical Characteristics and Uses

Steel pipes and tubes are made in circular, rectangular, or other cross sections[13] and can be divided into two general categories according to the method of manufacture--welded or seamless.[14] Each category can be further subdivided by grades of steel-namely, carbon or alloy. Included in alloy are

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[9] The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of 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 where appropriate, (6) price.

[10] In its 1995 investigations, which covered only small diameter standard, line, and pressure pipe, the Commission found one like product consisting of seamless carbon and alloy steel standard, line, and pressure pipes not more than 4.5 inches in outside diameter, including redraw hollows. *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy*, USITC Pub. 2910, July 1995, p. I-8.

[11] April 28, 2000, prehearing brief of Wilmer, Cutler on behalf of Japanese respondents, pp. 8-28. Similar arguments are not made concerning large diameter carbon steel and alloy steel products, because all large diameter alloy steel imports, with the exception of a minor amount of ASTM A-333 Grade 3, have been specifically excluded from the investigations dealing with large diameter pipe.

[12] The five factors that the Commission considers in analyzing semi-finished products include: (1) uses (is the upstream product dedicated to the production of the downstream product or does it have independent uses?); (2) markets (are there separate markets for the upstream and downstream products?); (3) characteristics and functions (are there differences in the physical characteristics and functions of the upstream and downstream products?); (4) value (are there differences in the production costs and/or sales values (transfer values or market prices as appropriate) of the upstream and downstream products?); and (5) transformation processes (what is the significance and extent of the processes used to transform the upstream product into the downstream product?).

[13] Virtually all seamless pipe is circular.

[14] 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. For further discussion of the comparison of certain seamless pipe and other types of pipe, see the *Interchangeability* subheading of this section of the report.

heat-resisting, stainless, and "other" alloy grades. 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 OCTG.[15] Subject products are further defined as follows:

> Standard pipe.--Seamless standard pipe is most commonly produced to the ASTM A-53 specification and is generally intended for the low temperature and low 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.
>
> Line pipe.--Seamless line pipe is produced to the API 5L specification and is intended for the conveyance of oil and natural gas and other fluids in pipe lines.
>
> Pressure pipe.--Seamless pressure pipe is commonly produced to the ASTM A-106 specification and 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 pressure and temperatures. (Seamless carbon steel ASTM standard A-106 B pressure pipe may be used in temperatures of up to 1,000 degrees Fahrenheit, at various American Society of Mechanical Engineers (ASME) code stress levels. Alloy piping made to ASTM standard A-335 must be used if temperature and stress levels exceed those allowed for A-106 and ASME codes.)

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the ASTM, the ASME, and the API. Comparable organizations in England, Germany, Japan, Russia, and other countries also have developed standard specifications for steel pipes and tubes.[16]

Small vs. Large Pipe

The distinguishing physical characteristic is the diameter of the product, which is clearly different. Small diameter pipe is less than or equal to 4.5 inches (114.3 mm) in OD, whereas large diameter pipe is greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in OD. Uses are generally similar, but witnesses at the hearing pointed out that small diameter pipe generally is used in petrochemical and other non-pipeline uses while large diameter pipe tends to be used more in pipeline construction.[17]

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[15] The standard, line, and pressure pipe subject to these investigations is generally intended to convey substances and is typically tested and rated for its 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 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.

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

[17] Hearing transcript, pp. 58-59.

Carbon Steel vs. Alloy Steel Pipe

Most steel products, including those subject to these investigations, are produced from carbon steel, which contains controlled amounts of carbon and manganese. Alloy steels, which provide physical properties not achievable with carbon steel, contain controlled amounts of alloying elements, usually nickel, chromium, and molybdenum. The scope of these investigations refers to three ASTM specifications that include alloy steel: ASTM A-335, which covers alloy steel pipe for high temperature service,[18] and ASTM A-333 and A-334, which cover carbon and alloy steel pipes and tubes for low temperature service.

The distinguishing physical characteristic of alloy steel pipe is its physical properties, which make it suitable for application in high temperature or low temperature service. Uses are different from those of carbon steel pipe, based upon the service requirements and the Boiler and Pressure Code requirements.

Respondents contend that substantial differences exist between commodity grade carbon and alloy steel pipe, as

> "alloy pipe contains elements such as chromium, molybdenum, and nickel that are added to the steel in carefully measured quantities to give it specific characteristics that qualify it for use in applications for which carbon is inadequate. These additional elements improve the physical characteristics of alloy pipe, making it superior to commodity grade carbon pipe in yield strength, tensile strength, creep strength, and elongation. Commodity grade carbon pipe is used to convey substances such as liquids and gases at relatively mild temperatures and low pressures. Alloy pipe is also used to convey liquids and gases, but unlike commodity grade carbon pipe, it is generally used for high temperature and high pressure services and for services in corrosive environments."[19]

*** reports that:

> "Alloy pipe (A335) is for use in high temperature applications such as mainstream and hot reheat power systems, refinery and chemical operations, oiler feed lines, and digester lines in pulp mills. High pressure is also a consideration given to this material type. The operating temperatures are far above those within the service requirements of carbon steel (A106 and A53). Alloy pipe has the addition of chrome and molybdenum in different amounts to allow service in higher temperatures. Low temperature pipe (A333) is obviously for low temperature applications in the refinery and chemical industry to service temperatures of minus 50 to minus 150 degrees Fahrenheit. Once again, these grades are not interchangeable with carbon steel (A106 and A53)."[20]

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[18] Excluded from Commerce's scope for large diameter pipe.

[19] July 28, 1999, postconference brief of Wilmer, Cutler on behalf of Japanese respondents, pp. 12-13.

[20] ***.

Manufacturing Processes, Facilities, and Production Employees

The production process for large diameter pipe and small diameter pipe is the same in the United States as it is in the subject countries.

Seamless standard, line, and pressure pipe may be produced from steel made by either the basic-oxygen steelmaking process, which uses iron ore, scrap, and alloying materials as raw materials, or by the electric-arc furnace steelmaking process, which uses scrap, direct-reduced iron, cold pig iron, and alloying materials. The chemical composition of steel, including the level of carbon, manganese, and any alloying elements, such as nickel, chromium, and molybdenum, is controlled in the melting process, and is not affected by further processing. Molten steel produced by either process is continuously cast into either a round or a square billet. For smaller sizes, billets rolled from continuous-cast blooms are used. Manufacturers that do not have their own steelmaking operations use purchased billets or purchased redraw hollows as their raw material.

Seamless pipe is manufactured by either of two high temperature processes to form a central cavity in a solid steel billet: the rotary piercing process or the hot extrusion process. In both cases, if a square billet is used, it is first forced through a single circular roll pass, producing a round billet for the piercing operation. In the rotary piercing process, the heated billet is gripped by angled rolls, which cause it to rotate and advance over a piercer point, forming a hole through its length (figure I-1). In the extrusion process, the billet is hot punch-pierced and then extruded axially through a die and over a mandrel, forming a hollow shell (figure I-2). The hollow shell produced by either process is then rolled with either a fixed plug or a continuous mandrel inside the shell to reduce the wall thickness and increase the length. Finally the shell is rolled in a sizing mill or a stretch reducing mill where it is formed into a true round and sized to the required diameter.

While standard, line, and pressure pipe is normally furnished hot-finished, small diameter pipe of less than 2 inches in outside diameter is often cold drawn because hot rolling of small diameter pipe is not possible. The minimum diameter for hot rolling differs from producer to producer because of differences in equipment capabilities. Some producers, including Gulf States, are capable of hot finishing pipe as small as 0.840 inches in outside diameter (this corresponds to nominal pipe size ½).[21] Pipe also may be cold drawn in order to provide a surface smoother than that which can be produced by hot finishing. When pipe is to be cold drawn, seamless hollows, called redraw hollows, are first pickled in acid to remove scale and oxides from both the outside and inside surfaces. They are then rinsed in water and coated, by dipping, with a lubricant for cold drawing. The hollow is pulled through a die and over an internal mandrel, reducing the outside diameter and increasing the length (figure I-3). The mandrel inside the hollow controls the inside diameter and the wall thickness. Following cold drawing, the hollows must be annealed (heat treated).

Some alloy steel pipe and some carbon steel pipe may require heat treating, which may involve one or more heating cycles in either a continuous furnace or a batch furnace, with controlled rates of cooling. Specific heat treating requirements are dependent upon the grade of steel being processed.

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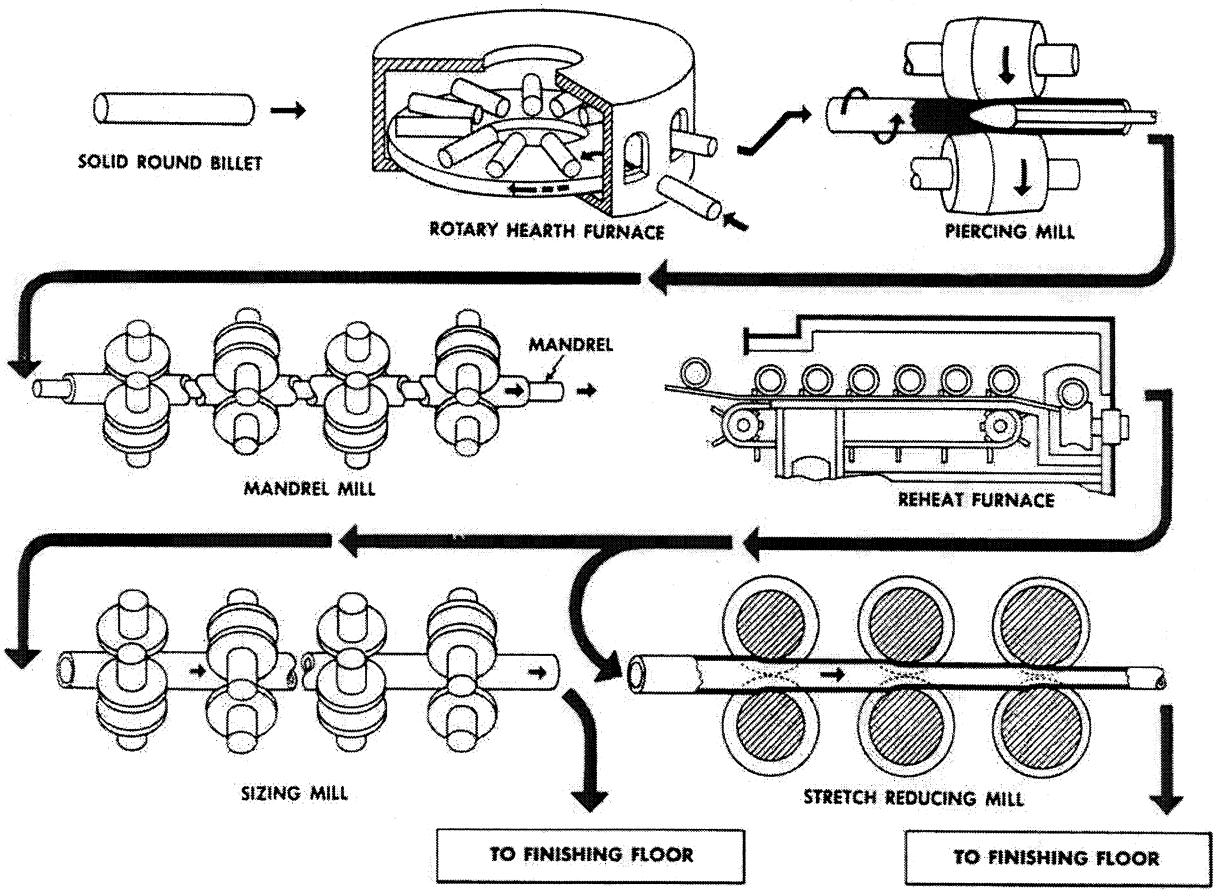
[21] The size of all pipe is identified by the nominal pipe size (NPS), which is a dimensionless designator that has been substituted for such traditional terms as "nominal diameter." The actual OD of pipe differs slightly from its NPS designation for NPS sizes of 1/8 to 12. For pipe in NPS sizes of 14 and larger, the OD is equal in inches to the nominal size.

Figure I-1
Sequence of operations used to produce seamless pipe products by piercing and rolling



Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products,* October 1980, p. 17.

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

Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products,* October 1980, p. 19.

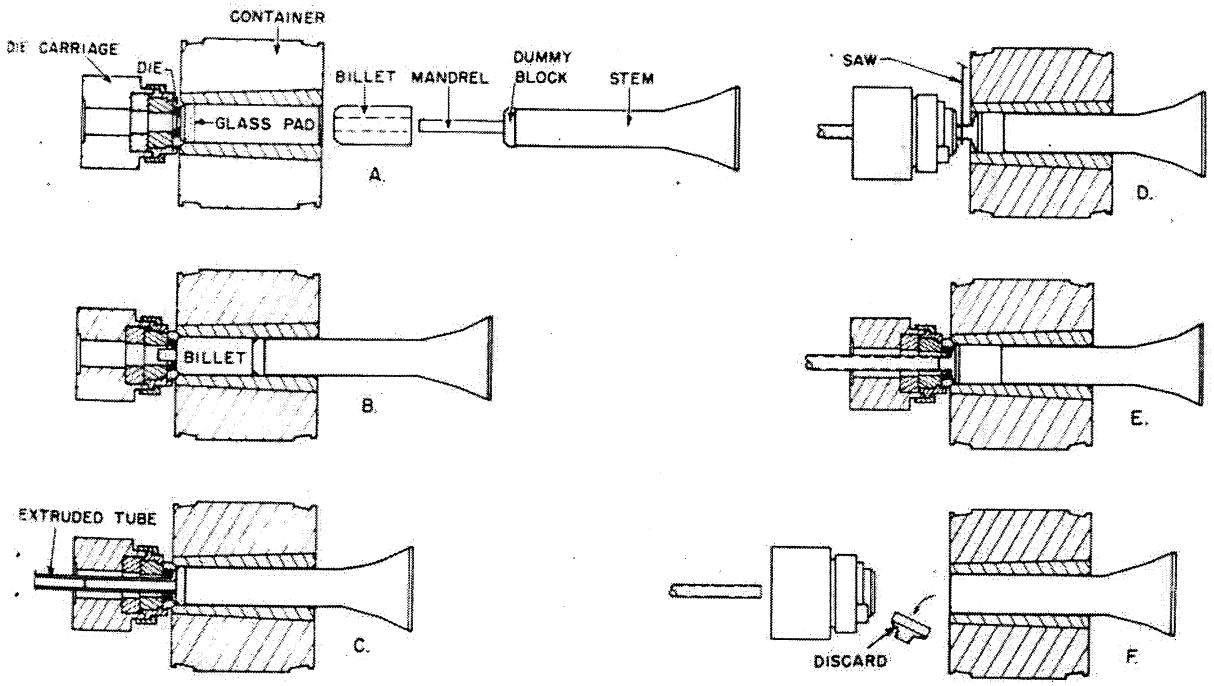
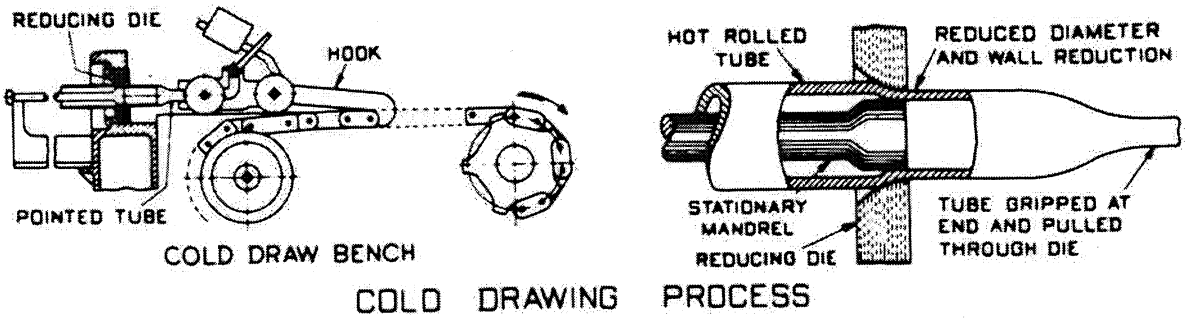


Figure I-3
Diagram of the cold drawing process



Source: AISI, *Steel Products Manual: Steel Specialty Tubular Products,* October 1980, p. 25.

Finishing operations on subject pipes include straightening, cutting to length, inspection, testing, end finishing (e.g., beveling or threading), and coating. Pipes may be furnished galvanized (hot-dip zinc coated) and may be threaded and coupled.

Other steel seamless tubing products that are produced on the same seamless tube processing equipment as standard, line, and pressure pipe are oil country tubular goods, mechanical tubing, pressure tubing, and structural pipe and tubing. Table I-3 shows the tonnage shipments, as reported by AISI, of all seamless tubular products. These data may not include shipments of all producers; are not available according to small and large diameter products; and include production of standard, line, and pressure pipe in diameters over 16 inches. They indicate, however, that during the period of investigation, standard, line, and pressure pipe represented slightly more than one-fourth of the total shipments of seamless tubular products by reporting companies.

Seamless and welded pipe are produced in completely different manufacturing facilities from beginning to end. Welded pipe is produced from flat rolled sheet or plate, which is rolled on hot-strip mills. The plate or sheet is then formed into a hollow and welded in a pipe mill. Seamless pipe is produced from billets, which are round or square long products, and which are produced by continuous casting. The billets are rotary-pierced or extruded and hot rolled on a plug mill or a mandrel mill. Even finishing operations, such as straightening, testing, and inspecting, are not done on the same equipment because the production of seamless pipe takes place at facilities that produce only seamless pipe.

Small vs. Large Pipe

Each producer of seamless pipe produces pipe that is within a range of sizes limited by the equipment used. Of the major producers in the United States, Gulf States and Koppel produce only small diameter pipe, and North Star produces only large diameter pipe. USS-Lorain produces both small and large diameter pipe, but has completely separate equipment for each. Only USS-Fairfield and Timken, a relatively minor producer, produce a range of sizes on the same equipment that includes both small and large pipe. USS-Fairfield produces mainly large diameter pipe, but it does produce *** of 4-1/2 inch diameter pipe, which is small diameter pipe.

Carbon vs. Alloy Pipe

During the 1995 investigations on small diameter seamless pipe, U.S. producers reported that, "except for differences in raw material input, carbon and alloy pipe are produced on the same equipment with the same employees."[22] The same manufacturing facilities and production employees are used through the hot rolling or cold drawing operations, and for testing, inspecting, and finishing. Alloy steel, however, requires additional process steps and facilities not generally required for carbon steel, including heat treating.[23]

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[22] See *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy*, USITC Pub. 2910, July 1995, p. I-8.

[23] Heat-treating facilities at ***.

Table I-3
Seamless carbon and alloy steel tubular products: Net shipments by U.S. producers, 1997-99

Product	1997	1998	1999
	Quantity (*short tons*)		
Standard, line, and pressure pipe	598,088	491,327	408,321
Oil country tubular goods	1,336,772	880,854	581,280
Mechanical tubing	492,276	442,631	399,188
Pressure tubing	36,199	35,630	20,768
Structural pipe and tubing, pipe for piling	11,846	9,923	8,118
Total	2,475,181	1,860,365	1,417,675

Note: Data include shipments of pipe with outside diameters in excess of 16 inches.

Source: American Iron and Steel Institute.

Interchangeability and Customer and Producer Perceptions

In general, because of engineering design and specifications, there is limited interchangeability between pipe of different sizes and between carbon and alloy pipe. Respondents argue that "although it is technically possible to substitute alloy pipe for commodity grade carbon pipe, the use of alloy pipe simply is not economically feasible for applications in which commodity grade carbon pipe suffices."[24]

Seamless pipe can generally be substituted for welded pipe, but not vice versa. The substitution of seamless pipe for welded pipe would generally be economically prohibitive due to the higher price of seamless pipe. Seamless pipe is generally perceived to be a stronger, more reliable product, due to the absence of a longitudinal weld, in which failures could occur.

Channels of Distribution

Table I-4 presents information on the channels of distribution of large and small diameter pipe by source for 1999. As shown, the large majority of domestically manufactured and subject imported small diameter pipe is sold to distributors. With respect to large diameter pipe, U.S. producers also sold principally to distributors in 1999. Importers of large diameter pipe from Japan sold approximately 77 percent to distributors and 23 percent to end users, while importers of subject product from Mexico sold roughly *** to distributors and end users.

[24] July 28, 1999, postconference brief on behalf of Japanese respondents, p. 13.

Table I-4
Small and large diameter pipe: Shares of U.S. shipments to distributors and end users, 1999

Item	Small diameter		Large diameter	
	Distributors	End users	Distributors	End users
	Shares (*percent*)			
Domestic product	***	***	***	***
Imported product from:				
Czech Republic	***	***	(1)	(1)
Japan	91.9	8.1	77.2	22.8
Mexico	(1)	(1)	***	***
Romania	***	***	(1)	(1)
South Africa	***	***	(1)	(1)
Average, subject countries	95.8	4.2	73.7	26.3

[1] Not applicable; no subject imports.

Source: Compiled from data submitted in response to Commission questionnaires.

Small vs. Large Pipe

Large diameter pipe, when purchased for large pipeline construction, is generally sold directly to end users. Petitioners argue that "(w)hile both products are sold principally through distributors, large diameter pipe projects are frequently put up for bid, whereas this is not at all common with respect to small diameter pipe."[25]

Carbon vs. Alloy Pipe

Petitioners claim that carbon and alloy products move in the same channels of distribution, with the major distributors of A-106 carbon pipe also carrying A-335 alloy pipe.[26] In their posthearing brief, petitioners included a list of 14 distributors that carry small diameter alloy pipe, stating that virtually all of the distributors in this group also carry small diameter carbon pipe.[27] Respondents argue that although both carbon and alloy pipe are sold through distributors, the distributors themselves are different.

[25] April 28, 2000, prehearing brief on behalf of petitioners, p. 8.

[26] Hearing transcript, p. 39.

[27] May 11, 2000, posthearing brief on behalf of petitioners, p. 42.

Respondents claim that while there is a wide ranging distribution network for A-106 carbon pipe, alloy distributors constitute a small, select group.[28] According to Radnor Alloys, a distributor of alloy pipe, five distributors that sell predominantly alloy and stainless products account for roughly 80 percent of alloy pipe sales.[29]

Price

Prices for small and large diameter pipe vary by grade, size, and finishing. See appendix C, tables C-1 to C-6 for average unit values per ton for U.S. shipments of the subject products for 1997-99. For more information concerning price comparisons, see Part V, *Pricing and Related Data*, of this report.

[28] April 28, 2000, prehearing brief on behalf of Japanese respondents, p. 18.

[29] Hearing transcript, pp. 239-240.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET SEGMENTS

Product Segments

Neither petitioners nor respondents deny a division between large and small diameter pipe. The Japanese and Mexican respondents argue that both large and small diameter pipe markets are divided into two or three segments. They describe one segment as the "commodity" segment, where pipe is produced to triple and quadruple certification as standard, line, and pressure pipe. They describe the second segment as "alloy" large and small diameter pipe, or pressure pipe classified as A-335 and A-333 grade 3.[1] *** explained that pressure (or alloy) pipe is "completely different" from line and standard pipe due to its chemical composition and its ability to convey fluids at elevated temperatures or pressures.[2] The third segment is "high-strength" or large diameter line pipe classified as API 5L grades X-52 to X-80, used in deepwater drilling. According to ***, this line pipe has more severe dimensional tolerances, special chemical compositions, and/or special heat treatment that gives the pipe the high strength oil and gas transmission companies need.[3]

Although petitioners acknowledge the existence of the various types of pipe, they disagree with the idea of making alloy pipe a separate domestic like product. Furthermore, petitioners have amended the scope to eliminate large diameter alloy pipe and some large diameter line pipe. They stated that with these scope amendments, the remaining subject large and small diameter pipe markets, which still include small diameter alloy pipe and some large diameter line pipe, are served by domestic production.

Geographic Areas

Seven producers reported they serve the entire United States, or all except Hawaii. *** served only the Eastern and Midwest states, saying it could not compete with foreign prices on the Gulf Coast and West Coast.[4] The following tabulation shows the main areas that importers reported serving (some importers reported more than one area):

Area	Number of importers
Nationwide...	2
Gulf Coast....	15
West Coast...	10
East Coast....	7
Northwest.....	2

[1] ***.

[2] Importers' questionnaire, question III-B-9.

[3] Ibid. ***.

[4] Producers' questionnaire, question IV-B-7.

Japanese seamless large and small diameter pipe is present in all geographic areas of the United States. Czech small diameter pipe is present in ***. Mexican large diameter pipe is available in the ***. Romanian small diameter pipe is present on the ***. South African small diameter pipe is available on ***.[5]

CHANNELS OF DISTRIBUTION

Both U.S. and foreign producers sell to distributors and end users. U.S. producers reported that *** percent of their small diameter pipe and *** percent of their large diameter pipe went to distributors in 1999, with the rest going to end users.[6] There are at least hundreds of distributors in the United States.[7] Of these, major U.S. pipe producers sell to between 20 and 40.[8]

Of the 24 responding purchasers, only three (***) described themselves as end users, with the rest being distributors.[9] Fifteen of the distributor purchasers reported that some of their customers were in the oil and gas industry and four reported that their customers included other distributors.[10] Other customers named by distributing purchasers came from the engineering, construction, industrial, power generation, chemical, and pulp and paper fields. Sixteen of the distributing purchasers said that nothing distinguished their pipe from their competitors' products.[11]

No purchasers reported any differences between the channels of distribution for large and small diameter pipe. Purchasers tended to purchase both large and small diameter pipe, as seen in the following tabulation (in number of purchasers):

Item	Large and small from any countries	U.S. large	U.S. small	No answer
Reported familiarity	21	21	20	3
Reported purchases during 1997-99	20	20	17	2

Respondents stated that distribution varied by type of large and small diameter pipe. Japanese respondents stated that there were only six U.S. distributors for A-335 pipe, whereas A-106 pipe had a

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[5] Importers' questionnaire, question III-B-7.

[6] Table I-4.

[7] Staff conversation with ***, who said there were 3,000 distributors, July 22, 1999; hearing transcript, p. 103, where one purchaser's estimate was in the hundreds.

[8] Conference transcript, p. 49, and staff conversation with ***, July 22, 1999.

[9] ***.

[10] Gulf States stated that master distributors will specialize in distribution to smaller distribution shops. Hearing transcript, p. 105.

[11] However, *** said that it offered value-added benefits like protective coatings and cutting to length, *** stated that its pipe was higher quality than its competitors, and *** said that its pipe was from domestic suppliers and more expensive than imported. *** cited acceptance by oil and chemical companies as a differentiating quality of its pipe.

large distribution network.[12] Alloy pipe is usually distributed through this smaller distribution group ***.[13] The Japanese respondents added that high-strength large diameter pipe is usually sold to end users, i.e., oil and gas companies, directly.[14] The Japanese respondents explained that the commodity grade large and small diameter pipe is quadruple certified precisely so that distributors can maintain a single inventory to service all of their customers.[15]

One large diameter pipe purchaser, ***, explained how distributors can be involved in sales of large diameter pipe for deepwater pipeline projects. *** stated that major offshore exploration companies will sometimes subcontract out the laying of the pipe to an engineering firm. That engineering firm, or the major itself if no firm has been hired, will sometimes go through a distributor for their pipe. The distributor acts as a go-between for the mill and the major, arranging coating and arranging compromises between the major's specifications and the mill's capabilities. *** further said that whether a major or engineering firm decides to go through a distributor for deepwater projects will usually depend on who the customer is and the size of the order, with larger orders usually going to the mills directly.[16]

BUSINESS CYCLES

The Czech, Japanese, and South African respondents stated that small diameter pipe has a business cycle based on oil and gas prices. Petitioners stated that small diameter pipe does not have a business cycle based on only oil and gas exploration, but rather on more general economic conditions. U.S. producers described a varied range of end uses for large and small diameter pipe. A major user is the oil and gas industry, but Gulf States stated that large and small diameter pipe is not used solely for exploration and production of oil and gas but is also used in refineries, petrochemicals, large sports stadiums, pipe nipples and couplings, and chemical and plastic plants.[17] Petitioners state that slack demand in the oil and gas industry can be offset by increased demand in other industries. For example, if gas prices fall, then decreased oil and gas industry pipe demand is often countered by increased petrochemical plant pipe demand.[18]

The importers of large diameter pipe stated that large diameter pipe has a business cycle based on oil and gas exploration, and hence oil and gas prices. They also said that the business cycle was different for alloy and high-strength large diameter pipe than for "bread and butter" large diameter pipe. Importers explained that because of long lead times, they often had lags of 3 to 6 months in responding to changes in demand. Petitioners agreed that the large diameter pipe business cycle follows oil and gas

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[12] Postconference brief of MC Tubular, p. 4. Gulf States disagreed, stating that 50 percent of its distribution network carried alloy pipe. Hearing transcript, p. 106.

[13] ***. Purchasers *** confirmed the different distribution network for alloy pipe. Japanese respondents said that the primary alloy pipe distributors were ***. ***, but Radnor stated that the five major distributors for alloy, accounting for 80 percent of alloy sales, all sell predominantly alloy pipe. Hearing transcript, p. 240. ***.

[14] Postconference brief of Japanese respondents, p. 23. ***.

[15] Postconference brief of Japanese respondents, p. 24.

[16] Staff conversation with ***.

[17] Conference transcript, p. 20.

[18] Ibid.

prices, but stated that was irrelevant to the case at hand, where they said that the import market share increased even though demand decreased in 1998.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Petitioners and respondents disagreed over whether U.S. production serves the alloy and high-strength markets, particularly for large diameter pipe. Respondents stated that part of the reason for the alleged domestic inability to supply these products is that they require heat treatment, and domestic mills do not have on-site heat treatment facilities. Rather, domestic mills send their large and small diameter pipe to heat treatment facilities in Oklahoma.[19] Petitioners responded that outsourcing heat treatment should make no difference in the final product.[20]

The Japanese respondents contend that U.S. producers do not produce alloy pipe in large diameter sizes, and that domestic small diameter alloy production is limited. Petitioners reply that the alloy market is a small niche that they do serve. They stated that Gulf States has been serving the market and that Koppel has the capacity as well.

Respondents also stated that U.S. producers cannot or do not supply custom-designed high-strength pipe, especially in the large diameter size. Six purchasers *** reported purchasing high-strength pipe for deepwater or arctic usage.[21]

U.S. producers stated that they are capable of supplying this high-strength market, which is a small percentage of the overall large and small diameter pipe market. ***.[22]

Capacity Utilization and Inventories

U.S. producers of small diameter pipe reported inventories of *** tons in 1998 and *** tons in 1999. U.S. large diameter pipe producers reported inventories of *** tons in 1998 and *** tons in 1999. Capacity utilization for small diameter pipe production was *** percent in 1998 and *** percent in 1999. For large diameter pipe, capacity utilization was *** percent in 1998 and *** percent in 1999.[23]

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[19] Conference transcript, p. 79.

[20] Postconference brief of petitioners, pp. 42-43.

[21] ***. *** said that differences between U.S. and imported deepwater pipe were vast, and that no one would use standard pipes in deepwater applications. It explained that deepwater pipe was made to higher proprietary specifications while commodity pipe was made to ASTM and ISO specifications. *** said that Japanese pipe was always superior in these applications, and that *** usually could not meet the required specifications, although *** could. ***.

[22] Producers' questionnaire, question IV-B-15. ***.

[23] Tables C-1 and C-2.

U.S. Export Markets

*** stated that all U.S. and Japanese large and small diameter pipe is accepted by major oil companies and is accessible worldwide. However, it added that all the subject countries as well as Germany, Italy, and France are "very restrictive" in accepting imports into their nations.[24] It added that shipping costs and import tariffs restrict U.S. exports.[25]

Subject Foreign Production

The Czech Republic (small diameter only)

Czech small diameter pipe capacity utilization was *** percent in 1999, up from *** percent in 1998.[26] Czech inventories for small diameter pipe were *** throughout the period of investigation. Czech exports of small diameter pipe to the United States were *** percent of total Czech shipments of the product in 1999, down from *** percent in 1998.

Japan (large and small diameter)

Japanese small diameter pipe capacity utilization was *** percent in 1999, down from *** percent for 1998. Japanese inventories for small diameter pipe fell to *** tons in 1999 from *** tons in 1998. Japanese exports of small diameter pipe to the United States were *** percent of total Japanese shipments of the product in 1999, down from *** percent in 1998. Japanese large diameter pipe capacity utilization was *** percent in 1999, down *** from *** percent in 1998.[27] Japanese inventories for large diameter pipe fell to *** tons in 1999 from *** tons in 1998. Japanese exports of large diameter pipe to the United States were *** percent of total Japanese shipments of the product in 1999, down from *** percent in 1998.[28]

Mexico (large diameter only)

Mexican large diameter pipe capacity utilization was *** percent in 1999, down from *** percent in 1998.[29] Mexican inventories for large diameter pipe rose to *** in 1999 from *** in 1998. Mexican exports of large diameter pipe to the United States were *** percent of Mexico's total shipments of the product in 1999, down from *** percent in 1998.

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[24] Producers' questionnaire, question IV-B-12.

[25] Producers' questionnaire, question IV-B-13.

[26] Table VII-1.

[27] Tables VII-2 and VII-3.

[28] The petitioners stated that Japanese producers are operating with excess capacity. The petitioners pointed out that Sumitomo's annual report for 1997-98 showed that Sumitomo's capacity utilization rate in its pipe operations was 58 percent, and that the 1998-99 annual report showed a utilization rate of 55 percent. They also pointed to Kawasaki's 1998-99 annual report as showing a capacity utilization rate of 42 percent. Conference transcript, pp. 15-16.

[29] Table VII-4.

Romania (small diameter only)

Romanian small diameter pipe capacity utilization was *** percent in 1999, down from *** percent in 1998.[30] Romanian inventories for small diameter pipe fell to *** in 1999 from *** in 1998. Romanian exports of small diameter pipe to the United States were *** percent of Romania's total shipments of the product in 1999, down from *** percent in 1998.

South Africa (small diameter only)

South African small diameter pipe capacity utilization was *** percent in 1999, down from *** percent in 1998.[31] South African inventories for small diameter pipe fell to *** tons in 1999 from *** tons in 1998. South African exports of small diameter pipe to the United States were *** percent of South Africa's total shipments of the product in 1999, down from *** percent in 1998.

Other investigations

Petitioners reported that the subject products face quotas and investigations in other countries. Czech producers face orders or quotas in the European Union and Hungary, and have an investigation pending in India. Romanian producers face an antidumping order in the European Union and investigations are underway in Brazil and India. Japan faces antidumping investigations for both large and small diameter pipe in Mexico and Venezuela.[32]

Nonsubject Production

The importers from Japan stated that nonsubject imports from Europe often supply the alloy and high-strength pipe for the Gulf.[33] The small diameter pipe importers state that nonsubject imports have been rising over the period examined.[34]

U.S. Demand

Demand Characteristics

Demand for large and small diameter pipe is based on end use markets. Petitioners state that small diameter pipe has a wide array of uses while they acknowledge that large diameter pipe is more oriented toward the oil and gas market.[35] Respondents state that demand differs across the additional division of both large and small pipe into alloy, high-strength, and commodity pipe. However, respondents emphasize that both large and small pipe had demand based mostly on the oil and gas market.

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[30] Table VII-5.

[31] Table VII-6.

[32] Page VII-1; conference slides, p. 22; and conference transcript, p. 15.

[33] Importers' questionnaire, questions III-B-12 and III-B-13.

[34] Conference transcript, p. 91.

[35] Postconference brief of petitioners, pp. 6 and 39-40.

Fifteen importers named oil and gas transmission as an end use of their product, with other end uses including petrochemical plants, sub-sea pipelines, power plants, and pressure-related applications. *** divides large and small diameter pipe end users as follows: (1) carbon pipe - oil and gas pipeline/plant utilities, etc.; (2) alloy pipe - refinery/petrochemical plants etc.; and (3) high-strength pipe - offshore pipeline/flowline/gathering line.[36]

Producers did not emphasize the oil and gas market end uses for small diameter pipe as much as importers. Gulf States described two major areas of competition for small diameter pipe: original construction or rebuilding of industrial facilities and repair and maintenance of existing facilities. Gulf States elaborated that a primary end use is at petrochemical and refinery installations.[37] It further estimated that 60 percent of its pipe went toward petrochemical plants and refineries.[38] *** reported that end uses include onshore and offshore transmission and collection lines, plus construction of refineries and processing plants. *** said that the predominate end uses are energy product pipelines "plus a myriad of construction applications." Other producers noted the use of seamless pipe in conveyance of steam, water, gas, and pressure applications.[39]

As most purchasers were distributors, they generally did not have detailed knowledge of the end uses of pipe, nor of the percent of the total cost of the end product.[40] However, *** cited transmission lines for oil and natural gas. Ten purchasers reported that the exact specifications for pipe do not depend on end use, although in general A-53 pipe is for less critical low temperature uses, A-106 pipe for high temperature pressure uses, and API 5L pipe for gas and oil pipelines. Seven purchasers, ***, stated that they had specifications which went beyond the standard ASTM and A-106 guidelines. *** reported that it bought less critical pipe that did not meet A-106 specifications from ***.

*** stated that deepwater pipe had special specifications based on health, safety, and environmental concerns associated with laying pipe thousands of feet beneath the ocean. These specifications included chemical properties, fracture toughness, and shear resistance.[41]

Demand Trends

U.S. producers and importers agreed that 1996 was a strong year for large and small diameter pipe.[42] However, some producers and importers stated that demand peaked in 1997, before collapsing in 1998 as oil and gas prices fell. They described current demand as low, but expected it to rebound as oil

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[36] Importers' questionnaire, question III-B-9.

[37] Conference transcript, pp. 20-21.

[38] Gulf States added that other uses included a variety of industrial uses, including baseball stadiums, bobsled runs, and truck trailer parts. Hearing transcript, p. 65.

[39] Producers' questionnaire, question IV-B-9.

[40] It would not be possible from purchaser data to estimate a reliable breakdown of how much pipe went to oil and gas end uses versus other end uses. Many distributors do not know their purchasers' end uses, or did not report shipment data. Others are master distributors who then distribute to other smaller distributors, who may then distribute to the oil and gas industry or other end uses. Only one purchaser, ***, described itself as not tied to the oil and gas market.

[41] ***.

[42] Some of this information comes from the preliminary investigations, which asked for demand trends beginning in 1996.

and gas prices increase. Some U.S. producers disagreed, stating that the market turbulence in 1998 was due to dumped imports against a backdrop of relatively steady or less-drastically declining demand. Importers described U.S. demand as recovering sharply in 1999 as oil and gas prices recovered,[43] but U.S. producers described the 1999 upturn as mild, and still not back to the "healthy " levels of 1997.[44] In general, U.S. producers did not believe the oil and gas price decline of 1998 was as important a reason as dumping for their lower prices and shipments.[45]

Sixteen purchasers stated that rising oil and gas prices increase demand for large and small diameter pipe. *** stated that oil and gas prices affected large diameter pipe prices more than small diameter pipe prices. Six purchasers reported that there had been no change in their purchases of foreign versus domestic product. Two reported an increase in purchases from nonsubject countries, one reported an increase from Japan and South Africa due to lower prices, and one reported an increase due to its inventory program. One purchaser reported a decrease in purchases from Mexico, another a decrease in purchases from Romania, and another a decrease due to general market decline. *** reported that demand from the power industry was up, while *** reported that general demand was up even as imports were up.

Substitute Products

*** noted that seamless pipe is sold by specification, but that other products with the same chemistry and sizes can be sold or processed to the same specifications. It gave the example of a mechanical tube being processed to be sold as large and small diameter pipe after cold-drawing. *** listed carbon alloy OCTG, carbon alloy mechanical tube, and carbon welded line pipe as substitutes.[46] *** said welded pipe is a substitute in some applications. *** noted plastics as a substitute. *** stated that welded and plastic tubulars are substitutes, depending on application and end user preference.[47] USS-Fairfield, though, pointed out that the highly-demanded quadruple-stenciled seamless pipe cannot be substituted with welded pipe.[48] *** said that there were no substitutes.

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[43] Importers expressed different assessments of demand trends. Six (***) felt that demand had been steady or stable. Of those, *** pointed to recent demand increases due to oil prices. *** stated that demand had remained the same, but noted that pricing changed due to weak oil and gas production in the United States. One importer, ***, felt that demand had decreased since 1996, but did not know why. *** described a demand decline due to slower oil and gas demand and a downturn in the chemical industry. Eight importers (***) stated that demand for pipe had gone up, though in some cases only slightly. Most attributed the demand increase to rising energy prices and ensuing petroleum exploration, but *** also noted that the overall health of the U.S. economy and tax incentives for more drilling led to an increase in aggregate demand. Six importers (***) described an up and down pattern of demand rising through 1996 and perhaps 1997, and then beginning to drop off with the price of oil in 1997 or 1998. *** noted that distributor inventories were at a historic high in late 1997 when the free fall of oil prices collapsed pipe demand.

[44] Some U.S. producers did describe lower demand for pipe in 1998 due to the low price of gas. *** all noted a demand increase and decrease cycle over the period examined, with the decrease beginning somewhere in late 1997 or early 1998. All but *** attributed the cycle to slowdowns in the oil and gas market. *** described stable demand with imports increasing due to dumping.

[45] Hearing transcript, pp. 27 and 41.

[46] Producer's questionnaire, question IV-B-8.

[47] Producer's questionnaire, question IV-B-8.

[48] Conference transcript, p. 44.

Among the importers, seven listed welded pipe as a sometime substitute for large and small diameter pipe. Six importers felt there were no substitutes, and two listed plastics.[49] Iscor stated that welded pipe is becoming increasingly competitive as a substitute.[50] It noted that ***.[51] *** added that while welded products could substitute for carbon standard and line pipe, there were no substitutes for chrome large and small diameter pipe or A-106B cold drawn pipe.[52] *** stated that stainless steel pipe could substitute for alloy pipe, but its higher cost would make such a substitution unreasonable.

Sixteen purchasers said that no substitutes existed for seamless pipe. One purchaser cited hot finished as a more expensive substitute, one cited A-519 mechanical tubing, and three cited welded pipe as a potential substitute in some applications. Two purchasers said that demand for substitute products has decreased, while another stated that welded pipe prices have decreased and replaced seamless pipe in some applications. Another stated that welded pipe demand tracks automotive demand, which is up. *** all stated that in certain deepwater applications, standard or small diameter pipe could not substitute for high-strength large diameter pipe.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchasing Decisions

Domestic producers usually offered shorter lead times than importers. All but *** domestic producers could offer large and small diameter pipe from inventory, where lead times ranged from 1 day to 14 days. Produced to order, large and small diameter pipe from domestic producers took 2 weeks to 2 months, with all but *** in a range of 4 to 8 weeks.

Five importers could offer large and small diameter pipe from inventory. The others only could offer imports that were produced to order:

Source	Lead time range	Number of importers
Japan	3 to 6 months	***
Mexico	***	***
Romania	***	***
South Africa	***	***

*** noted that it had brought its lead time for importing from *** down from ***.

Many purchasers use approved manufacturer lists, or AMLs. These lists are made by some of the larger end users, especially oil and gas companies, but are often used by other purchasers as well. However, petitioners stated that many purchases are made at plant level, where managers often buy products that are not on the AML.[53]

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[49] Importers' questionnaire, question III-B-8.

[50] Conference transcript, p. 100.

[51] Postconference brief of Iscor, p. 4.

[52] Importers' preliminary questionnaire, question III-B-8.

[53] Conference transcript, pp. 57-58.

U.S. Purchasers[54]

Purchasers often bought large and small diameter pipe from both domestic and subject sources. For large diameter pipe, 14 purchasers bought from both Japan and the United States, and 7 bought from both the United States and Mexico. Three reported buying from U.S. producers only, and *** reported buying from Mexican importers only. ***. For small diameter pipe, 10 purchasers bought pipe from both U.S. and Japanese sources, *** from U.S. and Czech sources, *** from U.S. and Romanian sources, and two from U.S. and South African sources. Four purchasers only bought small diameter pipe from U.S. producers, one from Czech importers only, one from Japanese importers only, two from Romanian importers only, and one from South African importers only.

The following tabulation summarizes purchaser responses on the importance and awareness of the country of origin of the manufacturer (in number of purchasers):

Purchaser attitudes	Always	Usually	Sometimes
Aware of whether pipe is imported or not	21	1	2
Know who the manufacturer of purchased pipe is	21	1	2
Country of origin important for purchasers' customers	10	10	4

Eleven purchasers reported irregular or as-needed purchases, 4 reported daily purchases, 4 reported weekly purchases, 5 reported monthly purchases, and 4 reported quarterly or yearly purchases. Twenty-one purchasers said that there had been no significant changes in their purchasing patterns, although *** stated that it was purchasing more imports. Most purchasers reported contacting 2-6 suppliers, although 6 reported sometimes contacting only one. Three purchasers never change suppliers, 8 purchasers rarely do, 6 purchasers infrequently do, 2 purchasers often do, and 3 change often or as demand dictates. Nineteen purchasers said they had not seen any new suppliers in the market recently, though 5 said they had, citing countries such as China, India, and Russia.[55]

Purchasers stated that purchasing decisions are based on tolerance, delivery, quality, reputation and acceptance by end users, and other specifications. The following tabulation shows how purchasers ranked the most important factors in their purchasing decisions:

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[54] While the responding purchasers are numerically small and reliable estimates of their percentage of total shipments are difficult, the sample does include several large distributors ***. Furthermore, purchasers did not report widely different answers with regards to issues such as end uses, comparisons of pipe, demand and supply, and quality of pipe. Staff believes this sample provides an accurate picture of the commodity grade large and small diameter pipe market.

[55] ***.

Factor	Number of times ranked first	Number of times ranked second	Number of times ranked third
Quality	12	1	1
Price	2	10	9
Acceptance by end users	4	0	0
Delivery	1	3	5
Availability	1	3	3
Product range	1	3	2

One purchaser said that the lowest price will always win, but 23 said otherwise, citing other factors such as quality, presence on AMLs, supplier reputation and acceptance by customers, reliability of delivery, and ability to meet technical specifications. Seventeen purchasers required supplier certification, with 15 of those requiring it for 100 percent of purchases. Five purchasers did not require supplier certification. Purchasers cited quality, reputation, delivery, API or ISO license, audits, and non-use of ozone-depleting processes in securing certification. Purchasers reported certification times that ranged from one week to one year. Three purchasers stated that a supplier had failed to certify since 1997, with examples cited from South Africa, Romania, and the Czech Republic as well as India and Bulgaria. ***.

When asked why higher-priced pipe was purchased, purchasers cited reasons such as quality concerns, delivery capabilities, special orders, and end users' AMLs.[56] Purchasers were also asked how much higher import prices would need to be before they would purchase domestic product. Those that answered the question usually estimated import price rises of 5-35 percent.[57]

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[56] *** said that the quality and ID tolerances of Japanese pipe had led it to purchase higher priced Japanese pipe. *** noted that it had also awarded contracts to U.S. mills for delivery capabilities. *** noted that higher priced pipe may be purchased because a manufacturer must be on the end users' AMLs. *** all noted that they had purchased U.S. material at higher prices because it was more accepted and had reliable delivery. *** said that they only purchased higher priced pipe if special lengths or quicker lead times were required. *** stated that the reliability and quicker delivery of Mexican large OD for special projects made it preferable over lower-priced sources. *** cited long-term commitment as a reason for purchasing higher priced pipe. *** said that it has paid higher prices when the domestic industry can't meet specifications. ***. *** said that qualifications, delivery, and customer acceptance had led to purchasing higher priced pipe.

[57] *** said that Czech, Romanian, and South African small diameter pipe would all need to rise *** percent in price before it switched to domestic pipe. *** said that it would take increases of *** percent for Romanian pipe and *** percent for Japanese large and Chinese small diameter pipe before it would purchase U.S. equivalents. It explained that some U.S.-produced small diameter and pressure pipe is priced higher due to a lack of domestic competition. *** said it considers buying imports if they are priced *** percent below the domestic product. *** stated that it would require a *** percent lower price before buying imports. *** said that all of its import purchases were for sizes not produced in the United States. *** stated that price was "immaterial" in its purchases of large diameter pipe for deepwater applications as U.S. companies declined to bid. *** said that in general, a gap of *** percent allows it to buy domestic small diameter pipe, but that there is no source for large domestic alloy. *** would require a ***-percent rise for Romanian small diameter pipe, a ***-percent rise for Japanese small and large-diameter pipe, a ***-percent rise for Mexican large diameter pipe, and a ***-percent rise for South African

(continued...)

Purchasers were asked to rank factors in purchasing U.S. large and small diameter pipe as very important, somewhat important, or not important. Fifteen purchasers provided rankings, which were scored as 2 for very important, 1 for somewhat important, and 0 for not important. Average scores for each purchasing factor are summarized in the following tabulation:

Purchasing factor	Average score	Purchasing factor	Average score
Availability	1.73	Product consistency	1.87
Delivery terms	1.60	Product quality	1.93
Delivery time	1.67	Product range	1.20
Discounts offered	1.20	Reliability of supply	1.67
Lowest price	1.33	Technical support/service	1.53
Minimum quantity requirements	0.93	U.S. transportation network	0.87
Packaging	0.93	U.S. transportation costs	1.07

Comparisons of Domestic Products and Subject Imports

In general, domestic producers said that their large and small diameter pipe was interchangeable with imported large and small diameter pipe. Many importers divided both large and small diameter pipe into three markets: standard (commodity), line pipe for severe environments (high-strength), and high-pressure (alloy) pipe. These importers said that while commodity large and small diameter pipe compete on price, there are differences other than price between domestic and imported line and pressure pipe.

Among purchasers, 12 said that they had no preference for country of origin or did not answer.[58] *** said that Japanese and U.S. pipe were broadly accepted, but others were not necessarily. *** stated that sometimes U.S. pipe is specifically requested. *** stated that U.S. pipe is generally preferred on quality, except in cases where Mexican pipe is needed.

When asked if certain grades of pipe were available from only one source, 12 purchasers said no, 3 did not answer, and 9 said yes. The following tabulation summarizes purchaser data on pipe products reportedly not available in the United States:

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[57](...continued)
small diameter pipe before it would purchase domestic product, though it noted that its major purchases were from Japan and Mexico because it was not a *** distributor. *** said that they would not purchase higher priced imports. *** required Japanese large diameter pipe to rise *** percent, Japanese small diameter pipe to rise *** percent, Mexican large diameter pipe to rise *** percent, and South African small diameter pipe to rise *** percent before purchasing domestic product.

[58] Among purchasers with a preference, 2 cited Japanese and U.S. pipe as higher quality, 2 cited Japanese pipe as higher quality than all others, 1 cited German, Japanese and Mexican as higher quality for deepwater environments, 1 cited Romanian and Japanese small diameter pipe as domestic manufacturers would not sell to it, 1 cited their own customers' preferences, and 1 cited the lower prices of Czech, Romanian, and South African small diameter pipe.

Purchaser	Product	Source for product
***	Small size pipe A-335 P11, P22, P5, P9; A-106B various heavy walls, i.e., 2.5" OD x 0.750/0.875" wall, 3" OD x 0.875" wall hot finish; pipe 4" and smaller and 12" and larger	***
***	Low temperature chrome (A-333, A-335)	***
***	Extremely large OD heavy wall carbon	***
***	2.375" OD x 0.750" wall A-106B seamless 3.5" OD x 0.875" wall 4.5" OD x 1.000" wall 10.75" OD x 0.250" wall 12.75" OD x 0.250" wall	***
***	API 5L X-65 ***, above 10" size	***
***	***	***
***	Large diameter alloy grades and A-333 grade 6	
***	Carbon steel line pipe: 10.75" OD x 0.250" wall, 0.279" wall, 0.337" wall 12.75" OD x 0.250" wall, 0.330" wall 14" and 16" OD x 0.312" wall	***
***	8.625" OD x 0.875" wall API 5L X-70	***

The Czech Republic

Six U.S. producers said that U.S. and Czech small diameter pipe were "always" interchangeable. Six U.S. producers said that U.S. and Czech small diameter pipe "never" competed on differences other than price. *** reported that U.S. pipe and Czech small diameter pipe "always" competed on differences other than price, as ***.[59]

*** said that Czech and U.S. small diameter pipe were "sometimes" interchangeable, noting that most major oil and gas companies have not yet approved Czech product.[60] Three purchasers reported purchasing Czech pipe. Two said that it was used in the same applications as U.S. pipe.

Purchasers were asked to rank purchasing factors for Czech small diameter pipe and compare Czech and U.S. small diameter pipe on the basis of those factors. The following tabulation summarizes the responses of the two responding purchasers familiar with Czech small diameter pipe:

* * * * * * *

[59] Producers' questionnaire, questions IV-B-12 and IV-B-13.

[60] Importers' questionnaire, question III-B-12.

Japan

Six U.S. producers said that U.S. and Japanese large and small diameter pipe were "always" interchangeable,[61] while *** said that U.S. and Japanese large and small diameter pipe were "frequently" interchangeable.[62] *** reported that U.S. and Japanese large diameter pipe "sometimes" competed on differences other than price.

Four Japanese respondents (***) drew a distinction between alloy, high-strength, and commodity large and small diameter pipe when comparing U.S. and Japanese products. For alloy products, the Japanese respondents stated that no U.S. producers can produce large diameter alloy pipe, with only Gulf State Tube producing limited quantities of small diameter alloy pipe. ***. For high-strength products, four Japanese respondents also stated that U.S. producers cannot or do not make grades higher than X-60. At the commodity pipe level, though, eight Japanese importers responded that U.S. and Japanese large and small diameter pipe is "frequently" interchangeable.[63]

Fifteen purchasers reported familiarity with Japanese pipe, although one said it was not a current purchaser of pipe produced in Japan. Three of the 15 said that they only purchased large diameter pipe from Japan while one said it only purchased small diameter pipe from Japan. Ten of the 15 reported that Japanese and U.S. pipe were used in the same applications, while 3 of the 15 did not answer or did not know. *** said that U.S. and Japanese pipe were not used in the same way for large deepwater applications. ***. *** stated that North Star and Mexican pipe were interchangeable.

Purchasers were asked to rank purchasing factors for Japanese large and small diameter pipe and compare Japanese and U.S. large and small diameter pipe on the basis of those factors. The following tabulation summarizes the responses of the 13 responding purchasers familiar with Japanese large and small diameter pipe:[64]

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[61] ***.

[62] Producers' questionnaire, questions IV-B-12 and IV-B-13.

[63] Importers' questionnaire, questions III-B-12 and III-B-13.

[64] One responding purchaser only ranked large diameter pipe, reporting that delivery terms, lowest price, minimum quantity requirements, and product quality were "very important" while all other factors were "somewhat important." It also reported that U.S. large diameter pipe was superior to Japanese large diameter pipe in product range; inferior in lowest price, minimum quantity, and reliability of supply; and comparable in all other factors.

Purchasing factor	Average importance score[1]	Number of purchasers reporting		
		U.S. superior	Comparable	U.S. inferior
Availability	1.62	6	7	
Delivery terms	1.54	2	10	1
Delivery time	1.62	8	3	2
Discounts offered	1.38	2	8	3
Lowest price	1.85	1	2	10
Minimum qty. requirements	1.08	1	10	2
Packaging	1.23		12	1
Product consistency	1.85		8	5
Product quality	1.92		9	4
Product range	1.46	5	7	1
Reliability of supply	1.77	2	9	2
Technical support/service	1.62	3	8	2
U.S. transportation network	1.00	1	11	1
U.S. transportation costs	1.23		11	2

[1] 2 = very important, 1 = somewhat important, 0 = not important.

Mexico

*** reported that Mexican and U.S. large diameter pipe were "always" interchangeable, and "never" compete on factors other than price. *** said that U.S. and Mexican large diameter pipe were "frequently" interchangeable, and "sometimes" compete on factors other than price.[65]

*** stated that U.S. and Mexican large diameter pipe are "sometimes" interchangeable for "inventory or stock," but "frequently not interchangeable" for sub-sea pipelines, which it claimed were *** percent of *** sales.[66] ***. Because of these factors and its three-day transit time to the Gulf of Mexico, *** says that it has competed with U.S. producers on the basis of factors other than price. Siderca notes that uses for such custom-designed, high-specification pipe are now extending beyond the Gulf to pipeline projects in densely populated areas where public safety is a concern, such as a recent contract in Michigan.[67]

Five purchasers reported familiarity with Mexican pipe. *** stated that U.S. and Mexican pipe were interchangeable. *** stated that North Star and Mexican pipe were interchangeable. *** said that U.S. and Mexican pipe were interchangeable for "bread-and-butter" applications but not for deepwater applications. *** stated that U.S. and Mexican pipe were interchangeable, but later stated that some of its purchases of Mexican pipe were of products not available in the United States.

Five purchasers were familiar with U.S. and Mexican large diameter pipe and able to compare them on a list of Commission factors. Two purchasers rated U.S. large diameter pipe superior to Mexican pipe in terms of availability, delivery time, and product range, while one rated U.S. large diameter pipe superior to Mexican in discounts, product quality, and technical support. Three purchasers stated that Mexican large diameter pipe was lower priced, and two said that Mexican large diameter pipe was superior to U.S. large diameter pipe in terms of product range. Other factors mentioned by at least one purchaser for which Mexican large diameter pipe was superior to U.S. large diameter pipe include availability, delivery time, discounts, minimum requirements, product consistency, product quality, technical support, and U.S. transportation network.

Purchasers were asked to rank purchasing factors for Mexican large diameter pipe and compare Mexican and U.S. large diameter pipe on the basis of those factors. The following tabulation summarizes the responses of the six responding purchasers familiar with Mexican large diameter pipe:

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[65] Producers' questionnaire, questions IV-B-12 and IV-B-13.

[66] Importers' questionnaire, questions III-B-12 and III-B-13.

[67] Conference transcript, p. 78.

Purchasing factor	Average importance score[1]	Number of purchasers reporting		
		U.S. superior	Comparable	U.S. inferior
Availability	1.83	2	3	1
Delivery terms	1.50		6	
Delivery time	1.33	2	3	1
Discounts offered	1.00	1	4	1
Lowest price	1.50		3	3
Minimum qty. requirements	0.83		5	1
Packaging	1.00		6	
Product consistency	2.00		5	1
Product quality	2.00	1	4	1
Product range	1.33	2	2	2
Reliability of supply	1.67		6	
Technical support/service	1.50	1	4	1
U.S. transportation network	0.33		5	1
U.S. transportation costs	0.83		6	
[1] 2 = very important, 1 = somewhat important, 0 = not important.				

Romania

Six U.S. producers said that U.S. and Romanian small diameter pipe were "always" interchangeable. The same six U.S. producers said that U.S. and Romanian small diameter pipe "never" compete on differences other than price.[68]

*** reported that U.S. and Romanian small diameter pipe were "rarely" interchangeable and "always" competed on differences other than price. ***.[69]

Four purchasers stated that they were familiar with Romanian pipe. Three of the four reported that U.S. and Romanian pipe were used in the same applications. (The other one did not answer.) Three purchasers said that Romanian small diameter pipe was superior to U.S. small diameter pipe in terms of lowest price. Otherwise, purchasers reported that U.S. and Romanian small diameter pipe were generally comparable.

[68] Producers' questionnaire, questions IV-B-12 and IV-B-13.

[69] Importers' questionnaire, questions III-B-12 and III-B-13.

Purchasers were asked to rank purchasing factors for Romanian small diameter pipe and compare Romanian and U.S. small diameter pipe on the basis of those factors. The following tabulation summarizes the responses of the four responding purchasers familiar with Romanian small diameter pipe:

* * * * * * *

South Africa

Six U.S. producers said that U.S. and South African small diameter pipe were "always" interchangeable. The same six U.S. producers said that U.S. and South African small diameter pipe "never" competed on differences other than price.[70]

*** said that most U.S. and South African small diameter pipe is ***. However, *** stated that its *** made its small diameter pipe less competitive in the U.S. market.[71] It added that ***. ***.[72]

Three purchasers reported familiarity with South African pipe, and all stated that it was used interchangeably with U.S. pipe. Purchasers were asked to rank purchasing factors for South African small diameter pipe and compare South African and U.S. small diameter pipe on the basis of those factors. The following tabulation summarizes the responses of the three responding purchasers familiar with South African small diameter pipe:

* * * * * * *

Comparison of Domestic Products and Nonsubject Imports

Three U.S. producers said that U.S. and nonsubject large and small diameter pipe were "always" interchangeable. Three other U.S. producers reported that U.S. and nonsubject large and small diameter pipe were "frequently" interchangeable. Importers of subject large diameter pipe state that European mills often compete with them for alloy and high-strength pipe.[73]

Comparison Among Subject Imports

Few purchasers could compare among subject imports, and those that could often compared large and small diameter pipe together. *** reported that all subject pipe was used in the same applications. In specifically large diameter pipe, ***. *** stated that Japanese, Mexican, and North Star large diameter pipe were all interchangeable with each other. *** characterized the overall pipe market with Japanese pipe being accepted over the broadest portion and Romanian and South African pipe being predominantly used in the industrial market. It further stated that Mexican pipe products generally fell somewhere between these two categories (i.e., Japanese vs. Romanian and South African). It added that Japanese pipe is higher-priced than Romanian and South African pipe, with Mexican pipe again in the

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[70] Producers' preliminary questionnaire, questions IV-B-12 and IV-B-13.

[71] Postconference brief of Iscor, p. 14.

[72] ***.

[73] Importers' questionnaire, questions III-B-12 and III-B-13. The only European sources mentioned by name were Vallourec and Mannesmann.

middle. *** stated that Czech, Romanian, and South African pipe were all priced the same. *** noted that Mexican pipe was the highest priced subject pipe, followed by Japanese pipe and then South African pipe.[74]

Comparison of Domestic Products, Subject Imports, and Nonsubject Imports

*** said that Czech small diameter pipe was "frequently" interchangeable with small diameter pipe from nonsubject countries. They also stated that Japanese large and small diameter pipe was "frequently" interchangeable with Mexican pipe, and "always" with South African and nonsubject pipe. They added that Romanian and South African small diameter pipe were "sometimes" interchangeable with each other and nonsubject pipe. *** said that all small diameter pipe was "always" interchangeable with all other small diameter pipe. *** stated that all large and small diameter pipe was "always" interchangeable with all other large and small diameter pipe, and differences other than price are "never" significant between any two countries' large and small diameter pipe.[75]

The four Japanese respondents who divided pipe into alloy, high-strength, and commodity grades stated that Japanese pipe does sometimes compete with European pipe in the alloy and high-strength markets, but not with any other pipe. *** also stated that its only competition for alloy pipe was from limited European mills. *** stated that Japanese and Mexican large diameter high-strength pipe sometimes competed with each other. ***. *** stated that European and Japanese pipe had the same advantages over U.S. pipe: transportation that is less expensive and more frequent. It continued that European mills could capture 100 percent of Japanese market share.

MODELING ESTIMATES

This section discusses the elasticity estimates that are used in the economic modeling analysis presented in appendix D. Although some estimated ranges are the same for both large and small diameter pipe, this result comes from analyzing both large and small diameter pipe markets separately and arriving at similar ranges based on each market's own qualities.

U.S. Supply Elasticity

The domestic supply elasticity for large and small diameter pipe measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price for large and small diameter pipe. The elasticity of supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced large and small diameter pipe. U.S. inventories are significant for both large and small diameter pipe and producers have some ability to shift to other products (such as OCTG), but export markets are tightly controlled. Thus, analysis of these factors indicates that the U.S. industry could only moderately increase or decrease shipments to the U.S. market within a one-year time frame; staff estimates that the elasticity of supply is in the range of 2 to 4.

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[74] Purchasers' questionnaire, questions IV-3, IV-4, and IV-6.

[75] Producers' questionnaire, questions IV-B-12 and IV-B-13.

U.S. Demand Elasticity

The U.S. demand elasticity for large and small diameter pipe measures the sensitivity of the overall quantity demanded to a change in the U.S. market price for small and large diameter pipe. This estimate depends on the factors discussed earlier such as the existence, availability, and commercial viability of substitute products. Producers and importers agreed that there are some substitutes for large and small diameter, though it is not always easy to convert quickly to using them. Thus, staff estimates demand elasticity as moderately elastic in the -1 to -2 range.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products. Product differentiation, in turn, depends upon such factors as quality and conditions of sale. Purchaser data emphasize the conclusions of both producers and importers (at least as regards "commodity" grade pipe): both large and small diameter pipe are highly interchangeable.[76] Staff originally estimated the elasticity of substitution to be between 4 and 8. Petitioners said that the exclusion of some specialty line pipe should raise staff estimates, but staff notes that previous estimates were for commodity pipe, not specialty grades. The Mexican respondents stated that as the large diameter pipe market is more oriented towards oil and gas, its substitution elasticity should be different from small diameter pipe. The crucial issue in the large diameter pipe market is how much Japanese and Mexican pipe is specialty grade pipe that is not interchangeable with U.S. large diameter pipe. Both Japanese and Mexican importers state that some of their imports are commodity grade pipe, highly interchangeable with U.S. large diameter pipe. However, if a large percentage of Japanese and Mexican large diameter pipe is specialty grade, then a lower elasticity estimate in the moderately elastic range (2-3) is justified. If a larger percentage of Japanese and Mexican large diameter pipe is commodity grade, then a higher elasticity estimate in the range of 4-6 is warranted. Based on this analysis, staff revises the large diameter pipe to an elasticity range of 2-6, while small diameter pipe retains the preliminary estimate of 4-8.

Margins of Dumping

Staff used Commerce's "all others" rate for the margin of dumping, except in the case of Romania, where the "Romania-wide" rate was used.

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[76] That is, domestic commodity large diameter pipe is highly interchangeable with subject commodity large diameter pipe, and domestic commodity small diameter pipe is highly interchangeable with subject commodity small diameter pipe. Staff is not saying that large and small diameter pipe are highly interchangeable with each other.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 8 firms that are believed to have accounted for the great majority of U.S. production of small and large diameter pipe during 1997-99. Data in this section are presented separately for small and large diameter pipe.

U.S. PRODUCERS

The Commission sent producers' questionnaires to all firms identified as producers in the petition. Table III-1 presents a list of U.S. producers, with each company's position on the petition, share of reported 1999 U.S. production of small and large diameter pipe, and U.S. production locations. Except as noted, U.S. producers do not purchase or import small or large diameter pipe. In addition, no U.S. producer is related to exporters or importers of the subject product.

Company Profiles

Gulf States

In December 1997, the Quanex Corp. sold its Gulf States Tube Division (Gulf States) and Michigan Specialty Tube (Michigan Specialty) to Vision Metals, Inc. Gulf States produces small diameter pipe at its facility in Rosenberg, TX, and accounted for *** percent of U.S. production of such pipe in 1999. Gulf States manufactures ***. During the period reviewed, Gulf States manufactured ***.

Koppel Steel

Koppel Steel Corp., a wholly-owned subsidiary of the NS Group, Inc., was formed in October 1990, when it purchased certain assets of Babcock & Wilcox Tubular Products Group, Beaver Falls, PA. Koppel produces small diameter pipe at its facility in Ambridge, PA, and accounted for *** percent of U.S. production of such pipe in 1999. The equipment and employees used by Koppel to manufacture small diameter pipe ***. During the period of review, Koppel *** pipe.

Michigan Specialty

Michigan Specialty is a unit of Vision Metals and is located in South Lyon, MI. Michigan Specialty produces small diameter pipe and in 1999 accounted for *** percent of U.S. production. Michigan Specialty produces ***. During the period of review, Michigan Specialty manufactured ***.

Table III-1
Small and large diameter pipe: U.S. producers, positions on the petition, U.S. production locations, and shares of 1999 production

Firm	Position on petition	Plant locations	Share (in *percent*) of 1999 production	
			Small diameter	Large diameter
Gulf States	Petitioner	Rosenberg, TX	***	(1)
Koppel Steel	Petitioner	Koppel, PA Ambridge, PA	***	(1)
Michigan[2] Specialty	***	South Lyon, MI	(3)	(1)
North Star Steel	***	Youngstown, OH Houston, TX	(1)	***
Sharon Tube	Petitioner	Sharon, PA	***	(1)
Timken	***	Canton, OH	***	***
USS-Fairfield	Petitioner	Fairfield, AL	***	***
USS-Lorain	Petitioner	Lorain, OH	***	***

[1] Does not produce the subject product.
[2] Owned by Vision Metals, the parent company of Gulf States.
[3] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

North Star Steel

North Star Steel, owned by ***, produces only the subject large diameter product at its facilities in Youngstown, OH, and Houston, TX. In 1999, it accounted for *** percent of U.S. large diameter pipe production. The equipment and employees used by North Star to manufacture large diameter pipe are ***. According to North Star, typically ***. During the period of review, North Star ***.

Timken

The Timken Co. produces the subject products at its facility in Canton, OH, and accounted for approximately *** percent of U.S. production of small diameter pipe and *** percent of U.S. production of large diameter pipe during 1999. Timken manufactures *** used in the production of subject pipe. During the period of review, Timken ***.

USS-Fairfield

USS-Fairfield is a unit of the USX Corp., Pittsburgh, PA, and produces small and large diameter pipe at its facility in Fairfield, AL. In 1999, it accounted for *** percent of U.S. production of small diameter pipe and *** percent of U.S. production of large diameter pipe. USS-Fairfield manufactures ***. During the period of review, USS-Fairfield ***.

USS-Lorain

USS-Lorain is also a unit of USX Corp. Prior to December 1999, USS-Lorain was 50-percent owned by USX and 50-percent owned by Kobe Steel, Ltd., Tokyo, Japan. USS-Lorain produces small and large diameter pipe at its facility in Lorain, OH, and accounted for approximately *** percent of U.S. production of small diameter pipe and *** percent of U.S. production of large diameter pipe, respectively, during 1999. USS-Lorain manufactures ***. During the period examined, USS-Lorain ***.

Finishers/Redrawers[1]

Sharon Tube Co. is a finisher/redrawer of the subject small diameter product. It finishes these products at its facility in Sharon, PA, and accounted for *** percent of U.S. production of small diameter pipe in 1999.[2] The equipment Sharon uses to manufacture small diameter pipe ***. Sharon ***. ***. During the period examined, Sharon only finished ***.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

As shown in table III-2, during 1997-99 domestic production of small diameter pipe declined by nearly *** percent, while capacity rose by almost *** percent. As a result, capacity utilization for small diameter pipe dropped from *** percent to *** percent. With regard to large diameter pipe, domestic production dropped by more than *** percent while capacity rose by roughly *** percent, resulting in a decline in capacity utilization from *** percent to *** percent. Production, capacity, and capacity utilization information for OCTG and other nonsubject seamless products manufactured on the same equipment as the subject products is presented in appendix E, tables E-1 and E-2. Data on U.S. producers' production of small and large diameter pipe, by firms, are presented in table III-3.

Table III-2
Small and large diameter pipe: U.S. production capacity, production, and capacity utilization, by type, 1997-99

* * * * * * *

[1] ***. In the final phase of the investigations, another domestic firm, ***. ***. On May 15-16, 2000, Commission staff spoke with representatives of ***. ***.

[2] ***.

Table III-3
Small and large diameter pipe: U.S. production, by type and by firms, 1997-99

* * * * * * *

U.S. PRODUCERS' SHIPMENTS

As presented in table III-4, domestic producers experienced severe declines in U.S. shipments of small diameter pipe in terms of both volume and value during the period for which data were collected. During 1997-99, U.S. shipments decreased 41.8 percent by volume and 44.0 percent by value; unit values dropped by 3.8 percent. Table III-5 displays domestic producers' U.S. shipments of large diameter pipe. Between 1997 and 1999, U.S. shipments of large diameter pipe also experienced *** declines, with a drop of *** percent in volume and *** percent in value. Unit values fell by *** percent.

Table III-4
Small diameter pipe: U.S. producers' shipments, by type, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
Commercial shipments	181,527	124,448	105,646
Internal shipments	0	0	0
U.S. shipments	181,527	124,448	105,646
Export shipments	1,192	3,478	844
Total	182,719	127,926	106,490
	Value (*$1,000*)		
Commercial shipments	136,424	98,243	76,392
Internal shipments	0	0	0
U.S. shipments	136,424	98,243	76,392
Export shipments	855	2,377	457
Total	137,279	100,620	76,849
	Unit value (*per short ton*)		
Commercial shipments	$751.54	$789.43	$723.09
Internal shipments	N/A	N/A	N/A
U.S. shipments	751.54	789.43	723.09
Export shipments	717.28	683.44	541.47
Average	751.31	786.55	721.65

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-5
Large diameter pipe: U.S. producers' shipments, by type, 1997-99

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Data on U.S. producers' inventories of small and large diameter pipe are presented in table III-6. With respect to small diameter pipe, end-of-period inventory levels rose by *** percent between 1997 and 1999, while the ratios of inventories to production and inventories to shipments ***. With respect to large diameter pipe, end-of-period inventories declined by *** percent, while the ratios of inventories to production and inventories to shipments increased ***.

Table III-6
Small and large diameter pipe: U.S. producers' end-of-period inventories, by type, 1997-99

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment data for small and large diameter pipe are presented in table III-7. During 1997-99, the number of production and related workers, hours worked, and wages paid to such employees all declined for both small and large diameter pipe. Productivity declined while unit labor costs rose during the period with respect to both small and large diameter pipe.

Table III-7
Small and large diameter pipe: Average number of production and related workers (PRWs), hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1997-99

Item	1997	1998	1999
Small diameter:			
PRWs (*number*)	354	288	303
Hours worked (*1,000*)	711	537	587
Wages paid (*$1,000*)	14,041	10,084	11,200
Hourly wages	$19.75	$18.80	$19.07
Productivity (*tons per 1,000 hours*)	258.9	232.1	191.3
Unit labor costs (*per short ton*)	$76.26	$80.97	$99.72
Large diameter:			
PRWs (*number*)	***	***	***
Hours worked (*1,000*)	***	***	***
Wages paid (*$1,000*)	***	***	***
Hourly wages	***	***	***
Productivity (*tons per 1,000 hours*)	***	***	***
Unit labor costs (*per short ton*)	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.			

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent importer questionnaires to approximately 50 U.S. companies that were believed to import or distribute small or large diameter pipe. Twenty-nine companies, accounting for almost all subject imports, provided the Commission with data on U.S. imports for the period 1997-99.[1]

U.S. IMPORTS

Tables IV-1 and IV-2 present a list of U.S. importers and their 1999 imports of small and large diameter pipe, respectively. Tables IV-3 and IV-4 present aggregate U.S. imports of small and large diameter pipe, respectively. Similar information for carbon and alloy pipe breakouts is presented in tables C-3 to C-6. U.S. import data presented were compiled from responses to the Commission questionnaires.

Table IV-1
Small diameter pipe: U.S. importers of subject product and their 1999 imports

* * * * * * *

Table IV-2
Large diameter pipe: U.S. importers of subject product and their 1999 imports

* * * * * * *

[1] Staff believes that imports from "other sources" (nonsubject countries) based on questionnaire data are understated in this report, particularly in regard to small diameter products. NOTE: The HTS statistical reporting numbers used to generate official statistics do not exactly match the scope and likely include nonsubject product. Appendix E, table E-5 presents official import data for small diameter pipe. If official statistics are used for all imports of small diameter pipe, the subject imports' market share of consumption of small diameter pipe on a volume basis would be 25.8 percent for 1997, 35.0 percent for 1998, and 29.1 percent for 1999, respectively. If official statistics are used for imports from nonsubject countries along with questionnaire data for subject countries, the subject imports' share of consumption of small diameter pipe on a volume basis would be 19.3 percent for 1997, 27.0 percent for 1998, and 17.8 percent for 1999, respectively.

Data presented for imports and consumption for large diameter pipe have been adjusted to reflect Commerce's scope exclusions of A-335 alloy products and certain deepwater carbon products. Representatives of *** indicated that they may have had imports of the excluded deepwater product during 1997-99, but were unable to provide any such data.

Table IV-3
Small diameter pipe: U.S. imports, by sources, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
Czech Republic	***	***	***
Japan	15,224	34,401	18,545
Romania	***	***	***
South Africa	***	***	***
Subtotal	59,017	83,228	35,683
Other sources	20,073	21,351	10,637
Total	79,090	104,579	46,320
	Value (*$1,000*)		
Czech Republic	***	***	***
Japan	13,866	28,014	12,626
Romania	***	***	***
South Africa	***	***	***
Subtotal	38,495	55,447	21,212
Other sources	15,213	16,540	7,969
Total	53,708	71,987	29,181
	Unit value (*per short ton*)		
Czech Republic	***	***	***
Japan	$910.81	$814.34	$680.84
Romania	***	***	***
South Africa	***	***	***
Average	652.27	666.21	594.46
Other sources	757.85	774.69	749.13
Average	679.07	688.36	629.98
	Share of quantity (*percent*)		
Czech Republic	***	***	***
Japan	19.2	32.9	40.0
Romania	***	***	***
South Africa	***	***	***
Subtotal	74.6	79.6	77.0
Other sources	25.4	20.4	23.0
Total	100.0	100.0	100.0
	Share of value (*percent*)		
Czech Republic	***	***	***
Japan	25.8	38.9	43.3
Romania	***	***	***
South Africa	***	***	***
Subtotal	71.7	77.0	72.7
Other sources	28.3	23.0	27.3
Total	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-4
Large diameter pipe: U.S. imports, by sources, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
Japan	29,553	43,899	48,922
Mexico	***	***	***
Subtotal	***	***	***
Other sources	***	***	***
Total	***	***	***
	Value (*$1,000*)		
Japan	23,296	34,075	28,625
Mexico	***	***	***
Subtotal	***	***	***
Other sources	***	***	***
Total	***	***	***
	Unit value (*per short ton*)		
Japan	$788.28	$776.21	$585.11
Mexico	***	***	***
Average	***	***	***
Other sources	***	***	***
Average	***	***	***
	Share of quantity (*percent*)		
Japan	***	***	***
Mexico	***	***	***
Subtotal	***	***	***
Other sources	***	***	***
Total	100.0	100.0	100.0
	Share of value (*percent*)		
Japan	***	***	***
Mexico	***	***	***
Subtotal	***	***	***
Other sources	***	***	***
Total	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION

Tables IV-5 and IV-6 present data on apparent U.S. consumption of small and large diameter pipe, respectively, for the period 1997-99. Similar information for carbon and alloy breakouts is presented in tables C-3 to C-6. Additional data on U.S. consumption of various grades of small and large diameter alloy pipe are presented in appendix E, tables E-3 and E-4.

Table IV-5
Small diameter pipe: U.S. shipments of domestic product, U.S. import shipments, by sources, and apparent U.S. consumption, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
U.S. producers' U.S. shipments	181,527	124,448	105,646
U.S. shipments of imports from--			
Czech Republic	***	***	***
Japan	14,999	34,059	18,709
Romania	***	***	***
South Africa	***	***	***
Subtotal	58,497	81,121	36,270
All other	27,903	21,272	10,586
Total import shipments	86,400	102,393	46,856
Apparent U.S. consumption	267,927	226,841	152,502
	Value (*$1,000*)		
U.S. producers' U.S. shipments	136,424	98,243	76,392
U.S. shipments of imports from--			
Czech Republic	***	***	***
Japan	14,272	27,977	12,935
Romania	***	***	***
South Africa	***	***	***
Subtotal	41,786	56,732	23,911
All other	19,590	16,612	8,053
Total import shipments	61,376	73,344	31,965
Apparent U.S. consumption	197,800	171,587	108,357

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-6
Large diameter pipe: U.S. shipments of domestic product, U.S. import shipments, by sources, and apparent U.S. consumption, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
U.S. producers' U.S. shipments	***	***	***
U.S. shipments of imports from--			
Japan	28,725	42,897	49,726
Mexico	***	***	***
Subtotal	***	***	***
All other	***	***	***
Total import shipments	***	***	***
Apparent U.S. consumption	375,084	365,028	293,151
	Value (*$1,000*)		
U.S. producers' U.S. shipments	***	***	***
U.S. shipments of imports from--			
Japan	23,655	34,724	29,156
Mexico	***	***	***
Subtotal	***	***	***
All other	***	***	***
Total import shipments	***	***	***
Apparent U.S. consumption	247,190	241,755	167,556

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. MARKET SHARES

Data on market shares of small and large diameter pipe are presented in tables IV-7 and IV-8, respectively. Similar information for carbon and alloy breakouts is presented in tables C-3 to C-6.

Table IV-7
Small diameter pipe: Apparent U.S. consumption and market shares, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
Apparent U.S. consumption	267,927	226,841	152,502
	Value ($1,000)		
Apparent U.S. consumption	197,800	171,587	108,357
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	67.8	54.9	69.3
U.S. shipments of imports from--			
Czech Republic	***	***	***
Japan	5.6	15.0	12.3
Romania	***	***	***
South Africa	***	***	***
Subtotal	21.8	35.8	23.8
All other	10.4	9.4	6.9
Total import shipments	32.2	45.1	30.7
	Share of value (*percent*)		
U.S. producers' U.S. shipments	69.0	57.3	70.5
U.S. shipments of imports from--			
Czech Republic	***	***	***
Japan	7.2	16.3	11.9
Romania	***	***	***
South Africa	***	***	***
Subtotal	21.1	33.1	22.1
All other	9.9	9.7	7.4
Total import shipments	31.0	42.7	29.5

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-8
Large diameter pipe: Apparent U.S. consumption and market shares, 1997-99

Item	1997	1998	1999
	Quantity (*short tons*)		
Apparent U.S. consumption	375,084	365,028	293,151
	Value (*$1,000*)		
Apparent U.S. consumption	247,190	241,755	167,556
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	***	***	***
U.S. shipments of imports from--			
Japan	7.7	11.8	17.0
Mexico	***	***	***
Subtotal	***	***	***
All other	***	***	***
Total import shipments	***	***	***
	Share of value (*percent*)		
U.S. producers' U.S. shipments	***	***	***
U.S. shipments of imports from--			
Japan	9.6	14.4	17.4
Mexico	***	***	***
Subtotal	***	***	***
All other	***	***	***
Total import shipments	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

CRITICAL CIRCUMSTANCES

Commerce determines that "critical circumstances" exist if there is a reasonable basis to believe or suspect that: (1) there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise or (2) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than fair value and that there was likely to be material injury by reason of such sales and (3) there have been massive imports of the subject merchandise over a relatively short period.

On May 3, 2000, the Department of Commerce issued final affirmative determinations of critical circumstances with regard to certain imports of small diameter pipe produced by Kawasaki Steel Corp., Nippon Steel Corp., and Sumitomo Metal Industries in Japan and by Iscor Ltd. in South Africa. On May 19, 2000, the Department of Commerce made a preliminary affirmative determination of critical circumstances with regard to certain imports of small diameter pipe produced by Nova Hut in the Czech Republic. Table IV-9 presents 1999 monthly imports of small diameter pipe from the Czech Republic, Japan, and South Africa subject to an affirmative critical circumstances determination (the petitions were filed in June 1999).

Table IV-9
Small diameter pipe: Monthly exports to the United States from the Czech Republic, Japan, and South Africa, 1999

* * * * * * *

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

U.S. Inland Transportation Costs

Inland transportation costs tend to vary as a percentage of the delivered price of large and small diameter pipe. For U.S. producers, estimates ranged from 1 percent to 10 percent. The same costs for shipment of imports from the subject countries ranged from 0 to 10 percent of the delivered price, or *** percent for small diameter pipe from the Czech Republic, *** percent for small and large diameter pipe from Japan, *** percent for large diameter pipe from Mexico, *** percent for small diameter pipe from Romania, and *** percent for small diameter pipe from South Africa.

U.S. producers tended to ship large and small diameter pipe over slightly longer inland distances in the United States than did importers. Two to 15 percent of U.S. producers' shipments (***) are for distances of less than 100 miles, and up to 25 percent are for distances over 1,000 miles. In the case of imports, 8 of 27 respondents indicated that 100 percent of shipments are made within 100 miles, and only 5 firms indicated that less than 70 percent of shipments are made within 100 miles. Only 5 importers reported shipments greater than 1,000 miles.[1]

U.S. purchasers reported transportation costs that varied within the 1-15 percent range. Factors that affected cost included the method of shipping (truck, rail, ship), the mill source, and whether the source was foreign or domestic. Five purchasers reported paying higher transportation costs for domestic pipe than for imported pipe and two reported paying higher transportation costs for imported pipe than for domestic pipe. Only *** reported paying different rates for transportation of different types of pipe, with U.S. pressure pipe having transportation costs of 2 percent and standard and line pipe having transportation costs of 5 percent.

Transportation Costs to the U.S. Market

Transportation costs from foreign to U.S. markets are estimated to be the following percentages of 1999 c.i.f. value:

Czech Republic (small diameter)	Japan (small diameter)	Japan (large diameter)	Mexico (large diameter)	Romania (small diameter)	South Africa (small diameter)
12.0	6.43	8.1	2.3	8.0	7.8

[1] Producers' questionnaire, question IV-B-6; importers' questionnaire, question III-B-6.

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund for the Czech Republic, Japan, Mexico, Romania, and South Africa during the period from January 1997 through December 1999 are shown in figure V-1. The data are all normalized so that the first quarter of 1997 equals 100. The trend of the Romanian lei varies considerably from the trends of the other currencies, depreciating markedly. Of the subject countries' currencies, only the Japanese yen did not depreciate over the time frame shown. For Mexico and South Africa, producer price indexes were not available for all of 1999, making calculations for real exchange rates incomplete.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates of the currencies of the Czech Republic, Japan, Mexico, Romania, and South Africa relative to the U.S. dollar, by quarters, January 1997 through December 1999

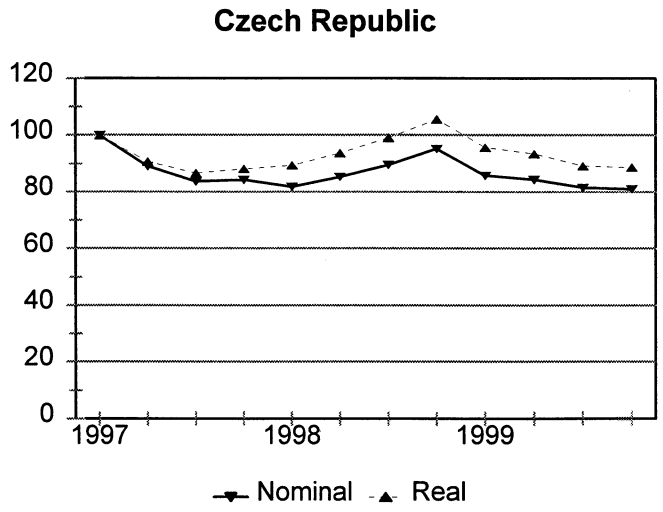
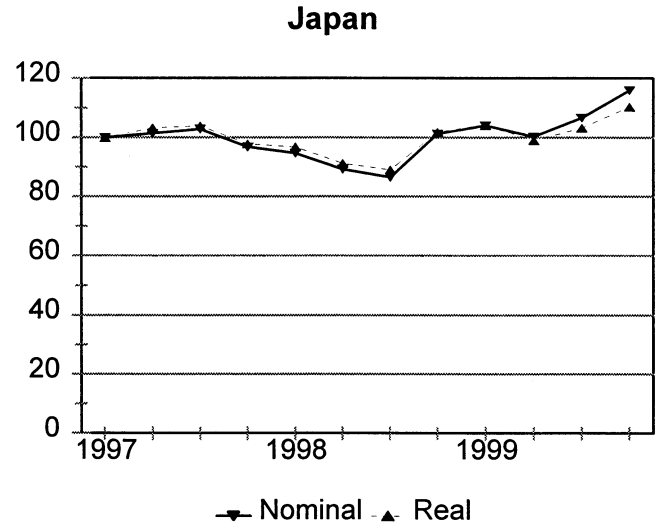


Figure continued on next page.

Figure V-1--Continued
Exchange rates: Indices of the nominal and real exchange rates of the currencies of the Czech Republic, Japan, Mexico, Romania, and South Africa relative to the U.S. dollar, by quarters, January 1997 through December 1999



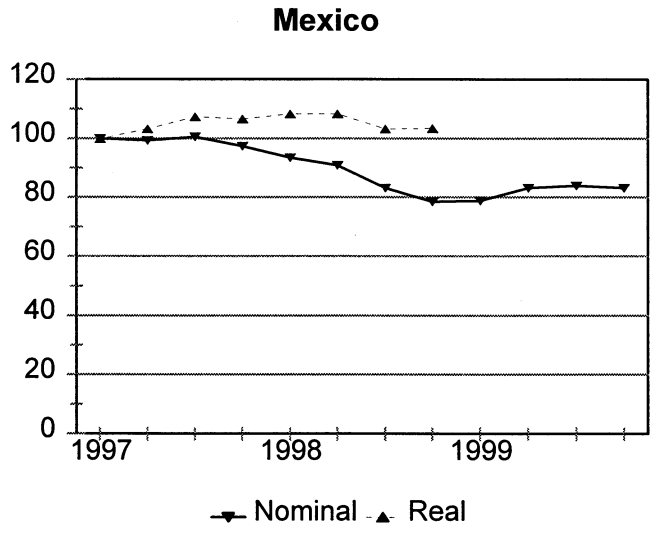
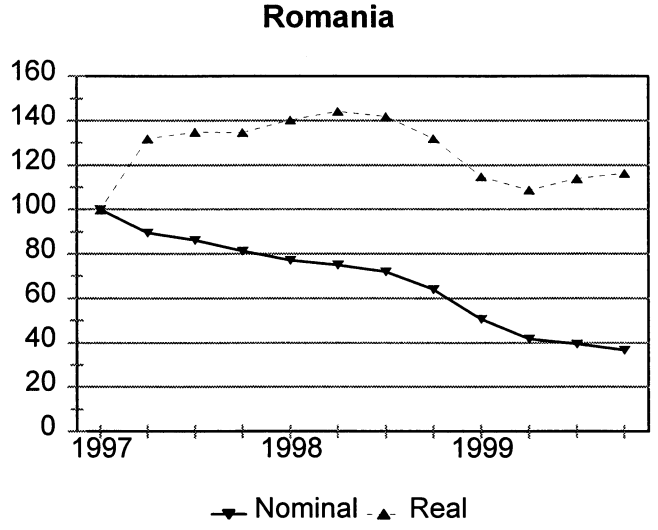
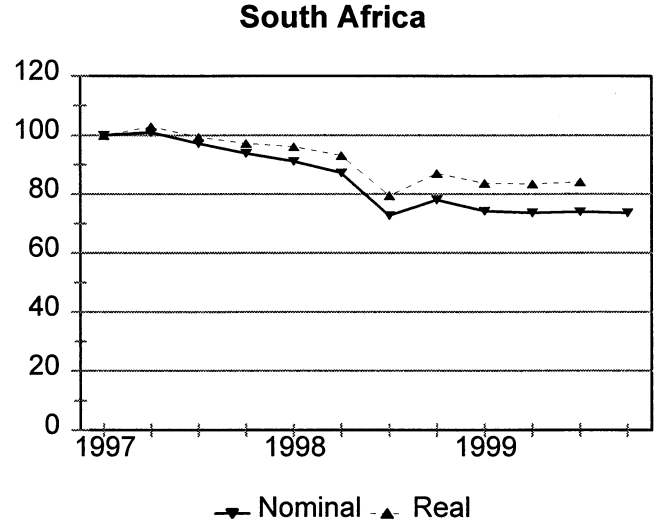


Figure continued on next page.

Figure V-1--Continued
Exchange rates: Indices of the nominal and real exchange rates of the currencies of the Czech Republic, Japan, Mexico, Romania, and South Africa relative to the U.S. dollar, by quarters, January 1997 through December 1999





Source: International Monetary Fund, International Monetary Statistics, March 2000.

PRICING PRACTICES

Methods of arriving at prices vary for the products under investigation. Published price lists are often provided by producers, but importers in general determine prices through transaction-by-transaction negotiations. Five of 8 U.S. producers indicated that they have commonly set prices directly from published lists, with volume discounts based on information gleaned from the market, although two mentioned that this practice has changed to transaction negotiations following the dumping allegations. Only one of 27 importers reported setting prices on the basis of price lists. Twenty-one other importers stated that they negotiate prices on a transaction-by-transaction basis or through contracts.[2]

Many companies confirmed in their questionnaires and during the public conference the aborted use of price lists during the period of investigation. USS-Fairfield said that a new price book was issued in 1994, and prices remained reasonably strong for several years, but that over the course of 1998 the order book simply disappeared and prices dropped substantially.[3] Some companies circulate an approved manufacturer list (AML), which guarantees a standard of quality for the product. The interchangeability of the small diameter pipe, however, allows for price undercutting by non-approved producers. *** said that most consumers use an AML, but that it is difficult to get on the list because many manufacturers have sufficient suppliers.[4]

Six of 8 producers offer discounts based on volume. Eighteen of the 27 importers reported that they offer no discounts; another three reported offering discounts occasionally based on prompt payment or competitive feedback.[5]

Large and small diameter pipe is generally sold on a spot basis by producers, and sold on either a spot or contract basis by importers. Six of 8 producers and 10 of 23 importers reported that 100 percent of their sales took place on a spot basis. One producer reported that 75 percent of its sales took place on a contract basis; another producer reported the same for 18 percent of its sales, with contracts for both price and quantity lasting 3 months for each. The importers that sold on a contract basis had contracts that lasted between 3 months and a year, with various terms for renegotiation. Two importers had a standard requirement for their contracts; one was for 10 short tons and the other for 100 metric tons.[6]

Fourteen purchasers reported that prices were negotiable, while nine reported that they were set by the supplier. Transaction prices were usually established by price lists, purchaser inquiries, the previous order, or the supplier, and might be followed by negotiation. ***. Purchasers learned of price changes in much the same way, i.e., from solicited quotes, phone or fax inquiries, mill announcements, or mill sales representatives. Seven purchasers reported quarterly price changes, five reported yearly price changes, and one reported price changes with each order. Seven purchasers stated that price changes are based on market conditions, and their frequency varies with market supply and demand. *** noted that prices remained stable throughout 1996-98, but decreased through 1999.

When asked about price leaders, 13 purchasers cited USS-Fairfield, 5 cited Northstar, and 2 cited Gulf States. Three purchasers said that USS-Fairfield led prices up in late 1999 or early 2000, and one of

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[2] Producers' questionnaire, question IV-B-1; importers' questionnaire, question III-B-1.
[3] Conference transcript, pp. 30-31.
[4] Staff conversation with ***, July 23, 1999.
[5] Producers' questionnaire, question IV-B-2; importers' questionnaire, question III-B-2. ***.
[6] Producers' questionnaire, question IV-B-4; importers' questionnaire, question III-B-4.

those three stated that Gulf States also raised prices at that time. Among U.S. distributors, purchasers named Dixie Pipe, Scot Industries, and Thomas Pipe as price leaders. Among foreign companies, 3 purchasers cited Sumitomo, 3 cited Vallourec and Mannesmann, 2 cited DST, and 2 cited Marubeni and MC Tubular. One purchaser said that Sumitomo led prices down in March 1999, and another stated that Marubeni and MC Tubular led prices lower in late 1998 and early 1999. *** stated that Japan quoted prices "only seen by third world firms," and that South African and other pipe importers needed to follow suit because of Japanese pipe's wider acceptance.

PRICE COMPARISONS

Two purchasers said that all imports are cheaper than pipe produced in the United States. Three purchasers said that U.S. pipe is cheaper than Czech pipe. Ten purchasers said that U.S. pipe is more expensive than Japanese pipe, with two stating that U.S. large diameter pipe is more expensive than Japanese large diameter pipe and one saying that U.S. small diameter pipe is more expensive than Japanese small diameter pipe. Only *** said that U.S. pipe is lower priced than Japanese pipe, but ***. Five purchasers (***) said that U.S. pipe is higher priced than Mexican pipe, and *** said that North Star large diameter pipe was the same price as Mexican large diameter pipe. Three purchasers said that U.S. small diameter pipe is higher priced than Romanian small diameter pipe, and three purchasers said that U.S. small diameter pipe is higher priced than South African small diameter pipe.

* * * * * * *[7]

With regard to nonsubject pipe, U.S. large and small diameter pipe was reported as higher priced than Chinese, Spanish, and German large and small diameter pipe pipe. Some large diameter purchasers reported that U.S. large diameter pipe was equally priced with French, German, and Italian large diameter pipe.

PRICE DATA

The Commission asked for quarterly price and quantity data for U.S. producers' and importers' sales and their customers' purchases of the following seven products during January 1997 to December 1999:[8]

Product 1: Seamless pipe single-, double-, or triple-stenciled to meet ASTM A-106 Grade B, ASTM A-53 Grade B, and/or API 5L Grade B specifications; 1" nominal size (1.315" OD x 0.179" wall thickness); plain ends; schedule 80.

Product 2: Seamless pipe triple-stenciled (or more) to meet ASTM A-106 Grade B, ASTM A-53 Grade B, and API 5L Grade B specifications; 4" nominal size (4.5" OD x 0.337" wall thickness); plain ends; schedule 80.

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[7] ***.

[8] Firms were requested to provide quantity data net of returns and net value data (i.e., gross sales value less all discounts, allowances, rebates, prepaid freight, and the value of returned goods), f.o.b. U.S. producing establishments and f.o.b. U.S. point of shipment for imports.

Product 3: Seamless pipe triple-stenciled (or more) to meet ASTM A-106 Grade B, ASTM A-53 Grade B, and API 5L Grade B specifications; 3" nominal size (3.5" OD x 0.3" wall thickness); plain ends; schedule 80.

Product 4: Seamless pipe triple-stenciled (or more) to meet ASTM A-106 Grade B, ASTM A-53 Grade B, and API 5L Grade B specifications; 6.625" OD x 0.432" wall thickness; plain ends.

Product 5: Seamless pipe stenciled to meet the API 5L Grade X-52 specification, 12" OD x 0.500" wall thickness; plain ends.

Product 6: Seamless pipe stenciled to meet API 5L Grade X-70; 8.625" OD x 0.875" wall thickness; plain ends.

Product 7: Seamless pipe 12.75" OD x 0.695" wall thickness, Grade X-65, produced with a chemistry of low carbon (0.07 min carbon to 0.11 max).

Products 1 to 3 are small diameter pipe. *** and product 3 comes from the 1995 investigations. Products 4 to 7 are large diameter pipe. Product 4, ***, is a common large diameter pipe. Product 5, ***, is a higher-stenciled API 5L grade. ***.[9] Pricing product coverage is summarized in the following tabulation:

Item	Producers	Importers
Products 1, 2, 3 as a percent of total small diameter shipments	19	18
Products 4, 5, 6, 7 as a percent of total large diameter shipments	9	22

The pricing products for large diameter pipe reflect a small portion of total U.S. large diameter shipments because products 5, 6, and 7 are specialized products.

Six U.S. producers and 15 importers provided pricing data for sales of the requested products. Two U.S. producers reported data for product 1, three for product 2, two for product 3, two for product 4, and one for product 5. One firm, ***, reported importing products 1 and 2 from the Czech Republic. Eight firms reported importing products 1, 2, and 3 from Japan, 6 firms reported importing product 4 from Japan, three firms reported importing product 5 from Japan, and one firm reported importing product 6 from Japan. Two firms reported importing product 4 from Mexico, with one of those two also importing products 5, 6, and 7. Three firms reported importing product 1 from Romania and two reported importing products 2 and 3 from there as well. One firm reported importing products 1, 2, and 3 from South Africa.

The number of firms reporting data per product per country does not, however, generally reflect the weight attributed to the relative imports. For product 1, reported imports from Japan made up *** percent of overall imports whereas reported imports from Romania made up *** percent of the total.[10] For product 2, reported imports consisted of *** percent Romanian products, *** percent Japanese products, and *** percent South African products. For product 3, reported imports consisted of ***

[9] Products 6 and 7 may no longer be in the scope depending on end use. ***.
[10] ***.

percent Romanian products, *** percent Japanese products, and *** percent South African products. Mexican imports made up *** percent of imports for product 4 and *** percent of imports for product 5, with the remainder belonging to Japanese firms.

Among purchasers, the following tabulation summarizes the number of purchasers responding to each pricing product:

Product	U.S.	Czech Rep.	Japan	Mexico	Romania	S. Africa
Product 1	7	1	4		2	0
Product 2	8	1	7		2	1
Product 3	8	1	7		2	1
Product 4	9		2	3		
Product 5	1		0	1		
Product 6	0		1	1		
Product 7	0		0	1		

Price Trends and Comparisons

Weighted-average prices and margins for U.S.-produced and imported pipe are shown in tables V-1 through V-9 and figures V-2 to V-17 on a quarterly basis for 1997 through 1999. The tables and figures are organized in order of product to allow comparisons of producer, importer, and purchaser data on a product-by-product basis. Where possible, the tables also include the percent difference between the price of the subject country and the U.S. price. Products 6 and 7 are discussed later in non-table form.

Table V-1
Small diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 reported by producers and importers and sold to end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-2
Small diameter pipe: Weighted-average delivered purchase prices and quantities of domestic and imported product 1 reported by end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-3
Small diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 reported by producers and importers and sold to end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-4
Small diameter pipe: Weighted-average delivered purchase prices and quantities of domestic and imported product 2 reported by end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-5
Small diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 reported by producers and importers and sold to end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-6
Small diameter pipe: Weighted-average delivered purchase prices and quantities of domestic and imported product 3 reported by end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-7
Large diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 reported by producers and importers and sold to end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-8
Large diameter pipe: Weighted-average delivered purchase prices and quantities of domestic and imported product 4 reported by end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Table V-9
Large diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 reported by producers and importers and sold to end users and distributors, and margins of underselling/(overselling), by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-2
Small diameter pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 reported by producers and importers and sold to end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-3
Small diameter pipe: Weighted-average delivered purchase prices and quantities of domestic and imported product 1 reported by end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-4
Small diameter pipe: Percent margins of underselling of imported product 1, as reported by U.S. producers and importers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-5
Small diameter pipe: Percent margins of underselling of imported product 1, as reported by U.S. purchasers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-6
Small diameter pipe: Weighted-average f.o.b. prices of domestic and imported product 2 reported by producers and importers and sold to end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-7
Small diameter pipe: Weighted-average delivered purchase prices of domestic and imported product 2 reported by end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-8
Small diameter pipe: Percent margins of underselling of imported product 2, as reported by U.S. producers and importers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-9
Small diameter pipe: Percent margins of underselling of imported product 2, as reported by U.S. purchasers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-10
Small diameter pipe: Weighted-average f.o.b. prices of domestic and imported product 3 reported by producers and importers and sold to end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-11
Small diameter pipe: Weighted-average delivered purchase prices of domestic and imported product 3 reported by end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-12
Small diameter pipe: Percent margins of underselling of imported product 3, as reported by U.S. producers and importers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-13
Small diameter pipe: Percent margins of underselling of imported product 3, as reported by U.S. purchasers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-14
Large diameter pipe: Weighted-average f.o.b. prices of domestic and imported product 4 reported by producers and importers and sold to end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-15
Large diameter pipe: Weighted-average delivered purchase prices of domestic and imported product 4 reported by end users and distributors, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-16
Large diameter pipe: Percent margins of underselling of imported product 4, as reported by U.S. producers and importers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Figure V-17
Large diameter pipe: Percent margins of underselling of imported product 4, as reported by U.S. purchasers, by sources and by quarters, January 1997 - December 1999

* * * * * * *

Product 1 data are shown in tables V-1 to V-2 and figures V-2 to V-5. In the producer and importer data, the U.S. product is always more expensive than the Czech, Japanese, Romanian (except for fourth quarter 1999), and South African products.[11] The data also show a small drop in U.S. quantity shipped in late 1998, and a drop in price in early 1999 before a price rebound in late 1999. Japanese prices and quantities show a drop in 1999, and Romanian prices actually rise to surpass U.S. prices in the 4th quarter of 1999. The purchaser data are consistent with the producer and import data, but also show that Czech prices were lower than U.S. prices for three quarters in 1997.

Product 2 data are shown in tables V-3 to V-4 and figures V-6 to V-9. In the producer and importer data, Japanese and U.S. prices are always within 10 percent of each other, with Japanese prices higher than the U.S. prices in 4 quarters out of 11 possible comparisons. The U.S. product is always more expensive than the Romanian product in all 10 quarterly comparisons, and also always more expensive than the Czech and South African products over the three years of data. The purchaser data are consistent with the producer and importer data and show the same U.S. quantity dropoff in late 1998. However, they also show generally higher margins of underselling for Japanese pipe, with margins above 10 percent in six quarters.

Product 3 data are shown in tables V-5 to V-6 and figures V-10 to V-13. In the producer and importer data, Japanese product is more expensive than U.S. product in 8 out of 11 possible quarterly comparisons. Romanian (9 quarters) and South African (3 years) products are again always less expensive than the U.S. product. However, in the purchaser data, Japanese product is less expensive than the U.S. product in 8 of 9 quarters. The purchaser data also show that Czech, Romanian, and South African product 3 was less expensive than the U.S. product.

Product 4 data are shown in tables V-7 and V-8 and figures V-14 to V-17. The producer and importer data show slowly falling U.S. prices, falling Japanese prices in 1999, and rising Mexican prices as Mexico disappears from the product 4 market in 1999. Japanese product was less expensive than the U.S. product in 4 of 10 quarterly comparisons and Mexican product was less expensive in 3 of 9 quarterly comparisons. The purchaser data are consistent with the producer and importer data, showing the same spike and then drop in shipments in 1998, lower Japanese and U.S. prices in 1999, and Mexican product 4 disappearing in 1999. However, they also report less expensive Mexican prices in 1999.

Table V-9 shows producer and importer data for product 5. For Japan and Mexico, only three quarterly comparisons each are possible. The U.S. product is always less expensive. For purchaser data, ***. ***.

For product 6, no U.S. producers reported shipments. ***. Among the purchasers, ***.

The Japanese and Mexican respondents suggested that a significant factor in pricing of large diameter seamless pipe has been North Star acting as a price leader for the common grade segment of the market. They attributed the decline in prices set by Japanese exporters to their efforts to match this domestic price. They also said that Mexico withdrew from the common grade segment of the market rather than cut prices.[12]

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[11] The South African data were submitted on a yearly, not quarterly basis.

[12] Conference transcript, p. 59.

LOST SALES AND REVENUES

The Commission did not receive any lost sales or revenues allegations with the petitions or amendments to the petitions. In the preliminary questionnaire responses, the Commission received 1 lost sale and 4 usable lost revenue allegations from ***, a petitioning producer, and ***. Few purchasers recalled the transactions, with many reporting that the volumes were too small for them to have detailed records. The results are summarized below in tables V-10 and V-11.

Table V-10
U.S. producers' lost sales allegations

* * * * * * *

Table V-11
U.S. producers' lost revenues allegations

* * * * * * *

In the final investigation, USS-Fairfield and USS-Lorraine submitted the following lost sale allegation:

* * * * * * *

Commission staff contacted the purchaser named by USS-Fairfield, ***.[13]

[13] Staff conversation with ***.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Eight U.S. producers supplied financial data on their operations on small and large diameter pipe. These data accounted for virtually all U.S. production of small and large diameter pipe in 1999. Four of the eight responding firms which are on a fiscal year ending in other than December reported financial data on a calendar-year basis.[1] ***.

OPERATIONS ON SMALL DIAMETER PIPE

Income-and-loss data for the U.S. producers on their small diameter pipe operations are presented in table VI-1. Selected financial data, by firm, are presented in table VI-2. The aggregate operating income margin decreased from 10.6 percent in 1997 to 6.8 percent in 1998 and then turned into an operating loss of 14.1 percent in 1999.

The volume of total net sales decreased by about 30 percent from 1997 to 1998, and further fell by 17 percent from 1998 to 1999. From 1997 to 1998, on a per-short-ton basis, the total of average cost of goods sold and selling, general and administrative (SG&A) expenses rose much faster than the increase in the average selling price, resulting in a lower operating income. During these periods, on a per-short-ton basis, raw materials cost declined whereas direct labor, other factory costs, and SG&A expenses increased due to low volume. From 1998 to 1999, on a per-short-ton basis, the average selling price fell sharply and the average cost of goods sold rose rapidly, resulting in a negative gross profit; the average SG&A expenses rose, resulting in a further increasing negative operating income. In 1999, the raw materials cost increased whereas direct labor and other factory costs declined. This may be due to *** in 1999. Five firms reported operating losses in 1999, compared with no firms in 1997 and one firm in 1998.

All responding firms provided data on raw materials, direct labor, and other factory costs. These data on a per-short-ton basis are shown in the following tabulation:

Item	Fiscal year		
	1997	1998	1999
Raw materials	$283	$268	$356
Direct labor	100	114	104
Other factory costs	239	291	297
Total cost of goods sold	622	674	757

The following tabulation shows the largest component of raw materials and its cost for each firm:

* * * * * * *

[1] U.S. producers that reported data on a calendar-year basis that had fiscal year ends other than December are ***.

Table VI-1
Results of operations of U.S. producers in the production of small diameter pipe, fiscal years 1997-99

Item	Fiscal year		
	1997	1998	1999
	Quantity (*short tons*)		
Net sales	182,719	127,926	106,491
	Value (*$1,000*)		
Net sales	137,275	100,616	76,835
Cost of goods sold	113,606	86,178	80,630
Gross profit	23,669	14,438	(3,795)
SG&A expenses	9,068	7,566	7,033
Operating income or (loss)	14,601	6,872	(10,828)
Interest expense	1,486	1,162	1,930
Other expense	205	108	136
Other income items	47	5	32
Net income or (loss)	12,957	5,607	(12,862)
Depreciation/amortization	6,203	5,340	5,476
Cash flow	19,160	10,947	(7,386)
	Ratio to net sales (*percent*)		
Cost of goods sold	82.8	85.7	104.9
Gross profit	17.2	14.4	(4.9)
SG&A expenses	6.6	7.5	9.2
Operating income or (loss)	10.6	6.8	(14.1)
	Value (*per short ton*)		
Net sales	$751	$787	$722
Cost of goods sold	622	674	757
Gross profit	130	113	(36)
SG&A expenses	50	59	66
Operating income or (loss)	80	54	(102)
	Number of firms reporting		
Operating losses	0	1	5
Data	7	7	7

Note: ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Results of operations of U.S. producers in the production of small diameter pipe, by firms, fiscal years 1997-99

* * * * * * *

***.[2] ***.[3] ***.[4]

The variance analysis for the seven U.S. producers of small diameter pipe is presented in table VI-3. The information for this variance analysis is derived from table VI-1. Export sales were minor and averaged less than 3.0 percent of total shipments by volume during 1997-99. There were no company transfers. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. The analysis shows that the decrease in operating income from 1997 to 1999 is attributable mainly to the higher unfavorable net cost/expense variance and also unfavorable net volume variances and price variance.

OPERATIONS ON LARGE DIAMETER PIPE

Income-and-loss data for the U.S. producers on their large diameter pipe operations are presented in table VI-4. Selected financial data, by firm, are presented in table VI-5. The aggregate operating income margin *** from *** percent in 1997 to *** percent in 1998 and then *** to *** percent in 1999.

The volume of total net sales *** by about *** percent from 1997 to 1998, and further *** by *** percent from 1998 to 1999. From 1997 to 1998, on a per-short-ton basis, the average selling price *** and average cost of goods sold and SG&A expenses ***, resulting in a *** operating income. During these periods, on a per-short-ton basis, raw materials *** whereas direct labor, other factory costs, and SG&A expenses *** due to ***. From 1998 to 1999, on a per-short-ton basis, the average selling price *** in the average cost of goods sold, resulting in a further ***. *** reported operating losses in 1999, compared with *** in 1997 and 1998.

All responding firms provided data on raw materials, direct labor, and other factory costs. These data are shown in the following tabulation:

* * * * * * *

[2] Skadden, Arps, Slate, Meagher & Flom LLP's letters on behalf of these U.S. producers dated March 30, and April 3, 2000.

[3] *** letter dated March 30, 2000.

[4] *** letter dated April 3, 2000.

Table VI-3
Variance analysis of U.S. producers' small diameter pipe operations, fiscal years 1997-99

Item	Fiscal year		
	1997-99	1997-98	1998-99
	Value (*$1,000*)		
Net sales:			
Price variance	(3,171)	4,506	(6,922)
Volume variance	(57,269)	(41,165)	(16,859)
Total net sales variance	(60,440)	(36,659)	(23,781)
Cost of sales:			
Cost variance	(14,419)	(6,640)	(8,892)
Volume variance	47,395	34,068	14,440
Total cost variance	32,976	27,428	5,548
Gross profit variance	(27,464)	(9,231)	(18,233)
SG&A expenses:			
Expense variance	(1,748)	(1,217)	(735)
Volume variance	3,783	2,719	1,268
Total SG&A variance	2,035	1,502	533
Operating income variance	(25,429)	(7,729)	(17,700)
Summarized as:			
Price variance	(3,171)	4,506	(6,922)
Net cost/expense variance	(16,167)	(7,857)	(9,627)
Net volume variance	(6,091)	(4,378)	(1,151)
Note: Unfavorable variances are shown in parentheses; all others are favorable.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Table VI-4
Results of operations of U.S. producers in the production of large diameter pipe, fiscal years 1997-99

* * * * * * *

Table VI-5
Results of operations of U.S. producers in the production of large diameter pipe, by firms, fiscal years 1997-99

* * * * * * *

The following tabulation shows the largest component of raw materials and its cost for each firm:

* * * * * * *

The variance analysis for the four U.S. producers of large diameter pipe is presented in table VI-6. The information for this variance analysis is derived from table VI-4. Export sales averaged about *** percent of total shipments by volume during 1997-99. There were no company transfers. The analysis shows that the *** from 1997 to 1999 is attributable mainly to the *** variance and also ***.

Table VI-6
Variance analysis of U.S. producers' large diameter pipe operations, fiscal years 1997-99

* * * * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' aggregate data on capital expenditures, research and development expenses, and the value of their property, plant, and equipment used in the production of small and large diameter pipe are shown in table VI-7. R&D expenses were incurred only by ***. For small diameter pipe production, ***. For large diameter pipe production, most of the reported capital expenditures were incurred by ***.

Table VI-7
Value of assets, capital expenditures, and research and development expenses of U.S. producers of small and large diameter pipe, fiscal years 1997-99

Item	Fiscal year		
	1997	1998	1999
	Value (*$1,000*)		
Small diameter pipe:			
Capital expenditures	5,114	30,767	15,485
R&D expenses	***	***	***
Fixed assets:			
Original cost	145,205	162,142	165,917
Book value	74,455	76,404	68,937
Large diameter pipe:			
Capital expenditures	***	***	***
R&D expenses	***	***	***
Fixed assets:			
Original cost	***	***	***
Book value	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of small diameter pipe from the Czech Republic, Japan, Romania, or South Africa, or imports of large diameter pipe from Japan or Mexico, on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Available information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE QUESTION OF DUMPING IN THIRD-COUNTRY MARKETS

Information has been gathered during these investigations relating to existing antidumping orders and investigations of the subject products in third-country markets, as follows:[1]

Market	Subject country(s)	Product	Action
European Union	Czech Republic and Romania	Seamless pipe	Antidumping order (effective November 1997)
Hungary	Czech Republic	Small diameter seamless pipe	Quantitative restrictions (effective August 1998)
Brazil	Romania	Seamless pipe	Antidumping investigation (initiated October 1998)
Venezuela	Japan	Seamless line pipe	Antidumping investigation (initiated April 1999)
India	Czech Republic and Romania	Seamless line pipe	Antidumping investigations (initiated May 1999)
Mexico	Japan	Small and large diameter seamless line pipe	Antidumping investigation (initiated May 1999)

[1] Petitions on small and large diameter seamless pipe, *Injury Information* volume, pp. 24-25, responses to the Commission's foreign producers' questionnaire, and the conference transcript, p. 15.

THE INDUSTRY IN THE CZECH REPUBLIC

The petition cited three known producers/exporters of small diameter pipe in the Czech Republic: Vitkovice a.s. ("Vitkovice"),[2] VT Dioss Chomutov a.s. ("Chomutov"), and Nova Hut a.s. ("Nova Hut").[3]

Data on capacity, production, shipments, and inventories of small diameter pipe in the Czech Republic were provided by Nova Hut and Chomutov in response to the Commission's foreign producer questionnaire and are presented in table VII-1. The Commission's questionnaires in these investigations inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of small diameter pipe in the Czech Republic. Chomutov and Nova Hut reported ***. However, Chomutov's trade data indicated that it had ***.

Chomutov indicated that it *** other products with the equipment used to manufacture small diameter pipe. Nova Hut reported that small diameter pipe accounted for roughly *** percent of its most recent fiscal year sales. In addition, Nova Hut indicated that on the same equipment used to produce small diameter pipe, ***. Both Chomutov and Nova Hut reported only *** small diameter pipe production.

Table VII-1
Small diameter pipe: The Czech Republic's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

THE INDUSTRY IN JAPAN

The petitions cited four producers/exporters of small and large diameter pipe in Japan: Kawasaki Steel Corp. ("Kawasaki"), Nippon Steel Corp. ("Nippon Steel"), NKK Corp. ("NKK"), and Sumitomo Metal Industries ("Sumitomo").[4]

Data on capacity, production, shipments, and inventories of small and large diameter pipe in Japan were provided by counsel for the four firms in response to the Commission's foreign producer questionnaires and are presented in tables VII-2 and VII-3, respectively. The Commission's questionnaires in these investigations inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of small or large diameter pipe in Japan. Japanese manufacturers reported ***.

All four of the Japanese firms reported production of *** small diameter pipe as well as *** large diameter pipe. In light of the recent scope exclusion of large diameter A-335 alloy product, *** continue to report production of large diameter alloy products, with *** reporting shipments of such products to the United States. All four Japanese firms report ***. ***. None of these firms' sales of small and large diameter pipe accounted for more than *** percent of the company's total sales.

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[2] The Commission did not receive a questionnaire response from the Czech producer Vitkovice.

[3] Petition on small diameter pipe from the Czech Republic, p. 5.

[4] Petitions on small diameter and large diameter pipe from Japan, p. 5.

Table VII-2
Small diameter pipe: Japan's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

Table VII-3
Large diameter pipe: Japan's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

THE INDUSTRY IN MEXICO

According to petitioners, Tubos de Acero de Mexico (TAMSA) is the only producer of large diameter pipe in Mexico.[5]

Data on production, shipments, and inventories of large diameter pipe in Mexico were provided by counsel for TAMSA in response to the Commission's foreign producer questionnaire and are presented in table VII-4. The Commission's questionnaires in these investigations inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of large diameter pipe in Mexico. TAMSA reported ***.

TAMSA reported manufacture of ***. ***. TAMSA indicated that large diameter pipe accounted for roughly *** percent of its total sales in the last fiscal year. TAMSA did not indicate ***.

Table VII-4
Large diameter pipe: Mexico's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

THE INDUSTRY IN ROMANIA

The petition cited three producers/exporters of small diameter pipe in Romania: Silcotub SA ("Silcotub"), SC Republica ("Republica"), and Societ. Petrotub SA Roman ("Petrotub").[6]

Data on capacity, production, shipments, and inventories of small diameter pipe in Romania were provided by counsel for the three firms in response to the Commission's foreign producer questionnaires and are presented in table VII-5. The Commission's questionnaires in these investigations inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of small diameter pipe in Romania. Republica reported ***. Petrotub reported that it "***." Silcotub reported that it "***. ***."

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[5] Petition on large diameter pipe from Mexico, p. 4.

[6] Petition on small diameter pipe from Romania, p. 5.

The Romanian firms reported ***. ***. Small diameter pipe accounted for *** percent of sales for Petrotub, *** percent for Republica, and ***percent for Silcotub, respectively. Petrotub and Republica reported production of *** small diameter pipe, while Silcotub reported production of ***.

Table VII-5
Small diameter pipe: Romania's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

THE INDUSTRY IN SOUTH AFRICA

According to petitioners, Iscor Limited ("Iscor") is the only producer/exporter of small diameter pipe in South Africa.[7]

Data on production, shipments, and inventories of small diameter pipe in South Africa were provided by counsel for Iscor in response to the Commission's foreign producer questionnaire and are presented in table VII-6. The Commission's questionnaires inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of small diameter pipe in South Africa. Iscor reported ***. Iscor reported that small diameter pipe accounted for *** percent of its sales in the last fiscal year. The equipment Iscor uses to manufacture small diameter pipe ***. Iscor did not indicate ***.

Table VII-6
Small diameter pipe: South Africa's capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

* * * * * * *

SUBJECT COUNTRIES COMBINED

Data on capacity, production, shipments, and inventories of small and large diameter pipe for the subject countries combined are presented in tables VII-7 and VII-8, respectively.

[7] Petition on small diameter pipe from South Africa, pp. 5-6. The petition also identified Jumbo Products CC as a producer of the subject product in South Africa, but it is not known to be exporting to the United States.

Table VII-7
Small diameter pipe: Subject countries' aggregate capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

Item	Actual experience			Projections	
	1997	1998	1999	2000	2001
	Quantity (*short tons*)				
Capacity	736,074	696,969	684,198	585,366	586,366
Production	485,404	477,932	413,264	477,878	488,868
End-of-period inventories	36,610	35,687	28,419	25,266	21,246
Shipments:					
Internal consumption/ transfers	***	***	***	***	***
Home market	***	***	***	***	***
Exports to:					
United States	65,311	87,011	43,132	35,259	39,875
All other markets	156,645	153,821	168,106	203,104	205,946
Total exports	221,956	240,832	211,238	238,363	245,821
Total shipments	487,870	478,848	421,032	481,032	492,890
	Ratios and shares (*percent*)				
Capacity utilization	65.9	68.6	60.4	81.6	83.4
Inventories/production	7.5	7.5	6.9	5.3	4.3
Inventories/shipments	7.5	7.5	6.7	5.3	4.3
Share of total shipments:					
Internal consumption/ transfers	***	***	***	***	***
Home market	***	***	***	***	***
Exports to:					
United States	13.4	18.2	10.2	7.3	8.1
All other markets	32.1	32.1	39.9	42.2	41.8
Total exports	45.5	50.3	50.2	49.6	49.9

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-8
Large diameter pipe: Subject countries' aggregate capacity, production, inventories, capacity utilization, and shipments, 1997-99, and projections for 2000-01

Item	Actual experience			Projections	
	1997	1998	1999	2000	2001
	Quantity (short tons)				
Capacity	816,724	786,880	778,218	805,179	791,529
Production	641,927	602,017	578,537	641,550	629,345
End-of-period inventories	70,192	75,186	76,886	78,941	80,982
Shipments:					
Internal consumption/ transfers	***	***	***	0	0
Home market	***	***	***	194,899	196,741
Exports to:					
United States	69,609	93,242	51,524	26,274	32,950
All other markets	371,709	318,338	374,034	418,341	397,613
Total exports	441,318	411,580	425,558	444,615	430,563
Total shipments	635,368	597,022	576,837	639,514	627,304
	Ratios and shares (percent)				
Capacity utilization	78.6	76.5	74.3	79.7	79.5
Inventories/production	10.9	12.5	13.3	12.3	12.9
Inventories/shipments	11.0	12.6	13.3	12.3	12.9
Share of total shipments:					
Internal consumption/ transfers	***	***	***	0.0	0.0
Home market	***	***	***	30.5	31.4
Exports to:					
United States	11.0	15.6	8.9	4.1	5.3
All other markets	58.5	53.3	64.8	65.4	63.4
Total exports	69.5	68.9	73.8	69.5	68.6

Note: See footnotes for tables VII-3 and VII-4.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. INVENTORIES OF PRODUCT FROM SUBJECT COUNTRIES

End-of-period inventories held by U.S. importers of small and large diameter pipe are shown in tables VII-9 and VII-10, respectively.

Table VII-9
Small diameter pipe: U.S. importers' end-of-period inventories of imports, 1997-99

* * * * * * *

Table VII-10
Large diameter pipe: U.S. importers' end-of-period inventories of imports, 1997-99

* * * * * * *

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–846–850 (Final)]

Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe and Tube From the Czech Republic, Japan, Mexico, Romania, and South Africa

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of antidumping investigations.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigations Nos. 731–TA–846–850 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether 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 less-than-fair-value imports from the Czech Republic, Japan, Mexico, Romania, and South Africa of certain seamless carbon and alloy steel standard, line, and pressure pipe, provided for in subheadings 7304.10.10, 7304.10.50, 7304.31.30, 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.

For further information concerning the conduct of this phase of the investigations, hearing procedures, 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 C (19 CFR part 207).

EFFECTIVE DATE: December 14, 1999.

FOR FURTHER INFORMATION CONTACT: Robert Carr (202–205–3402), 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. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*).

SUPPLEMENTARY INFORMATION:

Background 3

The final phase of these investigations is being scheduled as a result of

affirmative preliminary determinations by the Department of Commerce that imports of certain seamless carbon and alloy steel standard, line, and pressure pipe from Japan and South Africa are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigations were requested in petitions filed on June 30, 1999, by Koppel Steel Corp., Beaver Falls, PA; Sharon Tube Co., Sharon, PA; U.S. Steel Group, Fairfield, AL; USS/Kobe Steel Co., Lorain, OH; and Vision Metals' Gulf States Tube Div., Rosenberg, TX.

The petitions also alleged 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 imports sold at less than fair value from the Czech Republic, Mexico, and Romania. The Commission made affirmative preliminary injury determinations with regard to those imports. Commerce has postponed its preliminary determinations concerning whether imports from these countries are sold at less than fair value. In the event Commerce makes affirmative preliminary determinations, the Commission will activate the final phase of those antidumping investigations. The briefing schedule, hearing, and other deadlines as outlined below will also apply to those investigations.

Participation in the Investigations and Public Service List

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigations need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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 the final phase of these investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigations. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in the final phase of these investigations will be placed in the nonpublic record on February 23, 2000, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the final phase of these investigations beginning at 9:30 a.m. on March 7, 2000, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before February 29, 2000. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on March 3, 2000, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony in camera no later than 7 days prior to the date of the hearing.

Written Submissions

Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is March 1, 2000. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules. The deadline for filing posthearing briefs is March 14, 2000; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before March 14, 2000. On March 27, 2000, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before March 29, 2000, but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the Commission's 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: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: January 7, 2000.

Donna R. Koehnke,

Secretary.

[FR Doc. 00–883 Filed 1–13–00; 8:45 am]

DEPARTMENT OF COMMERCE

International Trade Administration

[A-201-827]

Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Mexico

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

EFFECTIVE DATE: February 4, 2000.

FOR FURTHER INFORMATION CONTACT: Russell Morris or John R. Brinkmann, at (202) 482-1775 or (202) 482-4126, respectively; AD/CVD Enforcement II, Office VI, Group II, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations refer to the regulations codified at 19 CFR part 351 (April 1999).

Preliminary Determination

We preliminarily determine that certain large diameter carbon and alloy seamless standard, line, and pressure pipe (seamless pipe) from Mexico are being sold, or are likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the Suspension of Liquidation section of this notice.

Case History

This investigation was initiated on July 20, 1999.[1] *See Initiation of Antidumping Duty Investigations: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Mexico and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from the Czech Republic, Japan, the Republic of South Africa and Romania*, 64 FR 40825 (July 28, 1999) (*Initiation Notice*). Since the initiation of the investigation, the following events occurred:

On August 12, 1999, the Department issued its antidumping questionnaire to Tubos de Acero de Mexico, S.A. (TAMSA), the sole Mexican producer of the subject merchandise.

On August 23, 1999, the United States International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that imports of the products subject to each of these antidumping investigations are materially injuring the U.S. industry. *See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania, and South Africa*, 64 FR 46953 (August 27, 1999).

We issued supplemental questionnaires where appropriate. Responses to those supplemental questionnaires were timely filed between November 1, 1999 and November 16, 1999, and we have incorporated the information provided in those responses into this preliminary determination.

On November 17, 1999, the Department concluded, consistent with section 733(c)(1)(B) of the Act, that the Mexican investigation of large diameter pipe is extraordinarily complicated, and that additional time was necessary to issue the preliminary determination. Consequently, we extended the deadline for the preliminary determination to January 26, 2000. *See Notice of Postponement of Preliminary Antidumping Duty Determinations: Certain Small and Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Romania and Mexico*, 64 FR 66168 (November 24, 1999).

Although the deadline for this determination was originally January 26, 2000, due to the Federal Government shutdown on January 25 and 26, 2000, resulting from inclement weather, the time frame for issuing this determination has been extended by two days.

Postponement of Final Determination and Extension of Provisional Measures

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise, or in the event of a negative preliminary determination, a request for such postponement is made by the petitioners. The Department's regulations, at 19 CFR 351.210(e)(2), require that requests by respondents for postponement of a final determination be accompanied by a request for extension of provisional measures from a four-month period to not more than six months.

On January 14, 2000, TAMSA requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until not later than 135 days after the date of the publication of the affirmative

[1] The petitioners in this investigation are Gulf States Tube, a division of Vision Metals, Inc.; Koppel Steel Corporation; Sharon Tube Corporation; USS/Kobe Steel Corporation; United Steel Workers of America; and U.S. Steel Group, a unit of USX Corporation, hereinafter referred to as Petitioners.

preliminary determination in the Federal Register. TAMSA also included a request to extend the provisional measures to not more than six months. Therefore, in accordance with 19 CFR 351.210(b), because (1) our determination is affirmative; (2) the requesting exporter accounts for a significant portion of exports of the subject merchandise; and (3) no compelling reason for denial exists, we are granting the respondent's request and are postponing the final determination until not later than 135 days after the date of the publication of the preliminary determination. Suspension of liquidation will be extended accordingly.

Period of Investigation

The period of this investigation (POI) comprises TAMSA's four most recent fiscal quarters prior to the filing of the petition, (*i.e.*, April 1, 1998, through March 31, 1999).

Scope of Investigation[2]

For purposes of this investigation, the products covered are large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes produced, or equivalent, to the American Society for Testing and Materials (ASTM) A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335 (grades P1, P2, P11, P12, P21 and P22 only), ASTM A–589, ASTM A–795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of this investigation also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification. Specifically included within the scope of this investigation are seamless pipes greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in outside diameter, 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.

The seamless pipes subject to this investigation are currently classifiable under the subheadings 7304.10.10.30, 7304.10.10.45, 7304.10.10.60, 7304.10.50.50, 7304.31.60.50, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.51.50.60, 7304.59.60.00, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, and 7304.59.80.70 of the Harmonized Tariff Schedule of the United States (HTSUS).

Specifications, Characteristics, and Uses: Large diameter seamless pipe is used primarily for line applications such as oil, gas, or water pipeline, or utility distribution systems. 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 ASTM A–106 standard 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 A–335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A–106. 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. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A–333 or ASTM A–334 specifications.

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 water well pipe (ASTM A–589) and seamless galvanized pipe for fire protection uses (ASTM A–795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A–106, ASTM A–53, API 5L–B, and API 5L–X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. 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 or quadruple certified pipes in large diameters is for use as oil and gas distribution lines for commercial applications. A more minor application for large diameter seamless pipes is for use in pressure piping systems by refineries, petrochemical plants, and chemical plants, as well as in power generation plants and in some oil field uses (on shore and off shore) such as for separator lines, gathering lines and metering runs. These applications constitute the majority of the market for the subject seamless pipes. However, ASTM A–106 pipes may be used in some boiler applications.

The scope of this investigation includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of this investigation. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335 (grades P1, P2, P11, P12, P21 and P22 only), ASTM A–589, ASTM A–795, and API 5L specifications shall be covered if used in a standard, line, or pressure application.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A–106 applications. These specifications generally include ASTM A–161, ASTM A–192, ASTM A–210, ASTM A–252, ASTM A–501, ASTM A–523, ASTM A–524, and ASTM A–618. 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 the scope of this investigation are boiler tubing and mechanical tubing, if such products are not produced to ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335 (grades P1, P2, P11, P12, P21 and P22 only), ASTM A–589, ASTM A–795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition,

[2] On September 3, 1999, the petitioners requested that the scope of the investigations be amended to exclude certain products made to the A–335 specification. This change is reflected in the current scope.

finished and unfinished oil country tubular goods (OCTG) are excluded from the scope of this investigation, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.

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

Class or Kind

From August through November 1999, the Department received submissions from importers, respondents, and consumers in the companion investigations involving small and large diameter seamless pipe from Japan, requesting that the subject merchandise be considered more than one class or kind. Specifically, those parties requested that the Department subdivide each of these investigations into the following separate classes or kinds of merchandise: (1) Commodity grade carbon seamless standard, line and pressure pipe; (2) alloy seamless pipe; and (3) high-strength seamless line pipe. On November 8, 1999, the petitioners rebutted these arguments. We have preliminarily determined that there is a single class or kind of merchandise for small diameter pipe and another distinct single class or kind of merchandise for large diameter pipe. For further discussion on this topic, including the comments received, see the *Notice of Preliminary Determinations of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and the Republic of South Africa*, 64 FR 69721 (December 14, 1999).

Product Comparisons

In accordance with section 771(16) of the Act, all products produced by TAMSA covered by the description in the *Scope of Investigation* section, above, and sold in Mexico during the POI, are considered to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We have relied on six criteria to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product: specification/grade, manufacturing process, outside diameter, wall thickness, surface finish, and end-finish. These characteristics have been weighted by the Department, where appropriate. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics as listed above.

Fair Value Comparisons

To determine whether sales of seamless pipe products from Mexico were made in the United States at LTFV, we compared the constructed export price (CEP) to the normal value (NV), as described in the *Constructed Export Price* and *Normal Value* sections of this notice, below. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average CEPs for comparison to weighted-average NVs.

Constructed Export Price

In accordance with section 772 of the Act, we calculated a CEP for each sale. Section 772(b) of the Act defines CEP as the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted.

When sales are made prior to importation through an affiliated U.S. sales agent to an unaffiliated customer in the United States, it is the Department's practice to examine several criteria in order to determine whether or not the sales are CEP or export price (EP) sales. Those criteria are: (1) Whether the merchandise was shipped directly from the manufacturer to the unaffiliated U.S. customer; (2) whether this was the customary commercial channel between the parties involved; and (3) whether the function of the U.S. selling agent was limited to that of a "processor of sales-related documentation" and a "communications link" between the exporter and the unaffiliated U.S. buyer. *See, e.g., Porcelain-on-Steel Cookware from Mexico: Final Results of Antidumping Duty Administrative Review*, 64 FR 26934, 26941 (May 18, 1999); and *Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada: Final Results of Antidumping Duty Administrative Reviews (Canadian Steel)*, 63 FR 12725, 12738 (March 16, 1998). In the Canadian Steel case, the Department clarified its interpretation of the third prong of this test, as follows:

> Where the factors indicate that the activities of the U.S. affiliate are ancillary to the sale (*e.g.*, arranging transportation or customs clearance, invoicing), we treat the transactions as EP sales. Where the U.S. affiliate has more than an incidental involvement in making sales (*e.g.*, solicits sales, negotiates contracts or prices) or providing customer support, we treat the transactions as CEP sales.
> *Canadian Steel*, 63 FR at 12738.

For sales of seamless pipe products during the POI, TAMSA utilizes the services of two affiliated selling agents in the United States, Siderca Corporation (Siderca) and another affiliate, hereinafter referred to as Company A (the name of Company A is business proprietary information). TAMSA reported, as EP transactions, its seamless pipe sales for which Siderca and Company A served as the importers of record and which were shipped directly from Mexico to the unaffiliated U.S. customer. Conversely, TAMSA reported as CEP transactions the subject merchandise that was stored in Company A's warehouse and later sold out of Company A's inventory. After careful examination of the record, the Department has preliminarily determined that both selling agents, Siderca and Company A, act as more than simply a "processor of sales-related documentation" or "a communication link." As a result of our analysis, we are reclassifying TAMSA's reported EP sales as CEP sales, as defined in section 772(b) of the Act. Specifically, both Siderca and Company A solicit sales, negotiate the price, obtain customer approval, prepare sales documentation (*i.e.*, invoices), receive payment and forward payment to TAMSA. For a further discussion, see Memorandum *Whether to Reclassify Certain EP Sales by Tubos de Acero de Mexico, S.A in the U.S. Market as CEP Sales*, dated January 28, 2000, public version, on file in the Central Record Unit (CRU), Room B-099, of the Main Commerce Building.

We based CEP on the packed, cost-insurance-freight (CIF), ex-factory, free-on-board (FOB), or delivered prices to the first unaffiliated customer in the United States, as appropriate. We reduced these prices for discounts and rebates, where appropriate.

In accordance with section 772(c)(2) of the Act, we made deductions, where appropriate, for movement expenses including inland freight from the plant or warehouse to the port of exportation, foreign brokerage, handling and loading charges, international freight, marine insurance, U.S. duties and U.S. inland freight expenses (from port to the customer).

In accordance with section 772(d)(1) of the Act, where appropriate, we deducted from the starting price those

selling expenses that related to economic activity in the United States, including direct selling expenses (credit costs, warehousing, and warranties), indirect selling expenses and indirect selling expenses of the affiliated selling agents. We also deducted from CEP an amount for profit in accordance with sections 772(d)(3) and (f) of the Act. *See Preliminary Calculation Memorandum*, dated January 28, 2000, public version on file in the CRU.

Normal Value

A. Selection of Comparison Markets

Section 773(a)(1) of the Act directs that NV be based on the price at which the foreign like product is sold in the home market, provided that the merchandise is sold in sufficient quantities, and that there is no particular market situation that prevents a proper comparison with the U.S. price. The statute contemplates that quantities normally will be considered insufficient if they are less than five percent of the aggregate quantity of sales of the subject merchandise to the United States.

TAMSA had a viable home market for seamless pipe products, and reported home market sales data for purposes of the calculation of NV.

In deriving NV, we made certain adjustments to price as detailed in the *Calculation of Normal Value Based on Home-Market Prices* section of this notice, below.

B. Arm's Length Test

Sales to affiliated customers for consumption in the home market which were determined not to be at arm's length were excluded from our analysis. To test whether these sales were made at arm's length, we compared the prices of sales of comparison products to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, discounts, and packing. Pursuant to 19 CFR 351.403 and in accordance with our practice, where the prices to the affiliated party were on average less than 99.5 percent of the prices to unaffiliated parties, we determined that the sales made to the affiliated party were not at arm's length. *See Notice of Final Results and Partial Recission of Antidumping Duty Administrative Review: Roller Chain, Other Than Bicycle, From Japan*, 62 FR 60472, 60478 (November 10, 1997) and *Antidumping Duties; Countervailing Duties: Final Rule (Antidumping Duties)*, 62 FR 27295, 27355–56 (May 19, 1997). We included in our NV calculations those sales to affiliated customers that passed the arm's-length test in our analysis. See 19 CFR 351.403; *Antidumping Duties*, 62 FR at 27355–56.

C. Level of Trade

As set forth in section 773(a)(1)(B)(i) of the Act and in the Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103–316, at 829–831 (1994), to the extent practicable, the Department will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales.

To determine whether comparison market sales were at different LOTs we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated (or arm's length) customers. If the comparison-market sales were at a different LOT and the differences affected price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we made a LOT adjustment under section 773(a)(7)(A) of the Act, where appropriate.

In accordance with the Act, we examined the chain of distribution and the selling activities associated with sales reported by TAMSA to its two customer categories in the home market. TAMSA reported three distinct channels of distribution in the home market: (1) Sales to end users; (2) sales to distributors; and (3) sales to one specific end user which received additional services pursuant to a just-in-time agreement. We found that the channels of distribution through the distributors and the first referenced end users differed significantly from the channel to the end user that received additional services as enumerated in the just-in-time agreement. Based on our overall analysis, we found that the home market sales constituted two LOTs: (1) Distributors and end users (LOT 1), and (2) the end user that received additional services pursuant to the just-in-time agreement (LOT 2).

We examined the sales from TAMSA to the two affiliated resellers (*i.e.*, at the constructed, or CEP LOT) and found only one LOT in the U.S. market. This CEP LOT was comparable to the home market LOT 1. For the vast majority of comparisons, we were able to determine NV based on sales of identical merchandise made at the same LOT as the U.S. CEP sales. Accordingly, because we compared U.S. to home market sales at the same LOT, no LOT adjustment was warranted under section 773(a)(7)(A) of the Act. Where there were no identical comparison market sales at the same LOT as the U.S. CEP sales, we compared U.S. sales to identical merchandise sold at the other LOT in the home market and made a LOT adjustment under section 773(a)(7)(A) of the Act. For a detailed description of our LOT analysis and adjustment methodology for these preliminary results, see the January 28, 2000, *Antidumping Investigation of Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Mexico: Preliminary Level of Trade Findings Memorandum*, on file in the CRU.

We note that the U.S. Court of International Trade (CIT) has held that the Department's practice of determining LOTs for CEP transactions after CEP deductions is an impermissible interpretation of section 772(d) of the Act. *See Borden, Inc.*, v. *United States*, 4 F. Supp. 2d 1221, 1241–42 (CIT 1998) (*Borden*). The Department believes, however, that its practice is in full compliance with the statute. On June 4, 1999, the CIT entered final judgment in *Borden* on the LOT issue. *See Borden, Inc.*, v. *United States*, Court No. 96–08–01970, Slip Op. 99–50 (CIT June 4, 1999). The government has filed an appeal of *Borden* which is pending before the U.S. Court of Appeals for the Federal Circuit. Consequently, the Department has continued to follow its normal practice of adjusting CEP under section 772(d) prior to starting a LOT analysis, as articulated in the Department's regulations at § 351.412.

D. Calculation of Normal Value Based on Home-Market Prices

We calculated NV based on ex-factory or delivered prices. Pursuant to 19 CFR 351.401(c), we adjusted the gross unit price for discounts and rebates to arrive at the "starting price" for NV. We made deductions from the starting price for inland freight, warehousing, and inland insurance. In addition, we made circumstance-of-sale (COS) adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses, warranty expenses, commissions, interest revenue, and performance bond fees. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs. *See Preliminary Calculation Memorandum*, dated January 28, 2000, public version on file in the CRU.

In accordance with § 351.410(e) of the Department's regulations, where commissions are incurred in one market

(in this case the home market), but not in the other, we make an allowance for indirect selling expenses in the other market up to the amount of the commissions granted. In this case, because commissions were paid in the home market, but not in the United States, and thus were deducted from the home market price, we made an adjustment for U.S. indirect selling expenses incurred in Mexico which were associated with sales of the subject merchandise. We made such an adjustment by adding the U.S. indirect selling expenses, up to the amount of the home market commissions, to home market price rather than subtracting them from the CEP.

Currency Conversion

We made currency conversions into U.S. dollars, in accordance with section 773(A) of the Act, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Verification

In accordance with section 782(i) of the Act, we intend to verify all information relied upon in making our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing Customs to suspend liquidation of all entries of large diameter seamless pipe products from Mexico, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. We are also instructing Customs to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds the CEP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice. The weighted-average dumping margins are provided below.

Manufacturer/exporter	Margin (percent)
TAMSA	4.60
All others	4.60

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final antidumping determination is affirmative, the ITC will determine whether the imports covered by this determination are materially injuring, or threaten material injury to, the United States industry. The deadline for that ITC determination would be the later of 120 days after the date of this preliminary determination or 45 days after the date of our final determination.

Public Comment

Case briefs for this investigation must be submitted no later than March 16, 2000. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes.

Section 774 of the Act provides that the Department will hold a hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by any interested party. If a request for a hearing is made in an investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

If this investigation proceeds normally, we will make our final determination no later than 135 days after the date of publication of this notice in the Federal Register.

This determination is issued and published pursuant to sections 733(f) and 777(i)(1) of the Act.

Dated: January 28, 2000.

Holly A. Kuga,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00–2580 Filed 2–3–00; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–485–805]

Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Romania

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

EFFECTIVE DATE: February 4, 2000.

FOR FURTHER INFORMATION CONTACT: Magd Zalok or Charles Riggle, Group II, Office 5, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–4162, (202) 482–0650, respectively.

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act), are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce (the Department) regulations are to the regulations at 19 CFR part 351 (April 1, 1999).

Preliminary Determination

We preliminarily determine that certain small diameter carbon and alloy seamless standard, line and pressure pipe (seamless pipe) from Romania is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the *Suspension of Liquidation* section of this notice.

Case History

This investigation was initiated on July 20, 1999, based on a petition filed by the Koppel Steel Corporation, Gulf States Tube (a division of Vision Metals), Sharon Tube, U.S. Steel Group (a unit of USX Corporation), and the United Steelworkers of America (collectively, petitioners). *See Initiation of Antidumping Duty Investigations: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Japan and Mexico; and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Japan, the Republic of South Africa and Romania,* 64 FR 40825 (July 28, 1999). Since the initiation of this investigation, the following events have occurred:

On August 12 and 17, 1999, we issued antidumping questionnaires to the Romanian embassy with instructions to identify any additional producers/exporters of the subject merchandise who had not contacted the Department, and to forward the questionnaire to all producers/exporters of the subject merchandise. On August 31, 1999, we received a response from the Romanian embassy.

On August 16, 1999, the United States International Trade Commission (the ITC) preliminarily determined that there is a reasonable indication that imports of the products under investigation are materially injuring the United States industry. *See* 64 FR 46953 (August 27, 1999) (ITC Report Publication No. 3321).

On September 9, 1999, we received a letter from S.C. Republica S.A. (Republica), a producer of the subject merchandise in Romania, stating that it did not sell the subject merchandise to the United States during the period of investigation (POI) and, therefore, will not file a response to the Department's questionnaire.

On September 13 and October 7, 1999, we received questionnaire responses from Sota Communication Company (Sota) and Metal Business International S.R.L. (MBI) (collectively, respondents), the trading companies exporting the subject merchandise during the POI, and their respective producers S.C. Silcotub S.A. (Silcotub) and S.C. Petrotub S.A.(Petrotub). We issued supplemental questionnaires on September 24 and October 18, 1999, to which we received responses on October 14, November 1, and November 5, 1999.

On September 15, 1999, we invited interested parties to provide comments on the surrogate country selection and publicly available information for valuing the factors of production. We received comments from the respondents on October 15 and November 17, 1999.

On October 7, and November 19, 1999, the respondents and their respective producers requested that the Department find the seamless pipe industry in Romania to be a market-oriented industry (MOI). Subsequently, the Department issued a letter to the Romanian embassy on October 14, 1999, requesting any additional information relevant to the MOI request. On October 22, 1999, we received comments from the Romanian Ministry of Industry and Commerce in support of the MOI claim. The petitioners submitted comments to the Department on November 2, 1999, objecting to the MOI claim made by the responding companies and the Romanian Ministry of Industry and Commerce.

Based on a request made by the petitioners on November 10, 1999, we postponed the preliminary determination until January 26, 1999. *See Notice of Postponement of Preliminary Antidumping Duty Determinations: Certain Small and Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Romania and Mexico,* 64 FR 66168 (November 24, 1999).

Between January 6 and January 12, 2000, the petitioners and the respondents submitted additional comments regarding the preliminary determination.

Although the deadline for this determination was originally January 26, 2000, due to the Federal Government shutdown on January 25 and 26, 2000, resulting from inclement weather, the timeframe for issuing this determination has been extended by two days.

Postponement of Final Determination and Extension of Provisional Measures

Pursuant to section 735(a)(2) of the Act, on November 5, 1999, the respondents requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination. Further to that request, on November 12, 1999, the respondents requested that the Department extend by 60 days the application of the provisional measures prescribed under paragraphs (1) and (2) of section 773(d) of the Act. In accordance with 19 CFR 351.210(b), because (1) our preliminary determination is affirmative, (2) the requesting exporters account for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the respondents' request and are postponing the final determination until no later than 135 days after the publication of this notice in the Federal Register. Suspension of liquidation will be extended accordingly.

Scope of Investigation

The scope of this investigation includes small diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the American Society for Testing and Materials (ASTM) A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of this investigation also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification. Specifically included within the scope of this investigation are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside diameter, 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.

The seamless pipes subject to this investigation are currently classifiable under the subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.30.00, 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).

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 ASTM A–106 standard 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 A–335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A–106. 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. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A–333 or ASTM A–334 specifications.

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 water well pipe (ASTM A–589) and seamless galvanized pipe for fire protection uses (ASTM A–795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A–106, ASTM A–53, API 5L–B, and API 5L–X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. 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- or quadruple-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, ASTM A–106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/hydrostatic testing or other methods to enable the material to be sold under ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications.

The scope of this investigation includes all seamless pipes meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of this investigation. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications shall be covered if used in a standard, line, or pressure application.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A–106 applications. These specifications generally include ASTM A–161, ASTM A–192, ASTM A–210, ASTM A–252, ASTM A–501, ASTM A–523, ASTM A–524, and ASTM A–618. 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 the scope of this investigation are boiler tubing and mechanical tubing, if such products are not produced to ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished OCTG are excluded from the scope of this investigation, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.

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

Class or Kind

From August through November 1999, the Department received submissions from importers, respondents, and consumers in the companion investigations involving small and large diameter seamless pipe from Japan, requesting that the subject merchandise be considered more than one class or kind. Specifically, those parties requested that the Department subdivide each of these investigations into the following separate classes or kinds of merchandise: (1) Commodity grade carbon seamless standard, line and pressure pipe; (2) alloy seamless pipe; and (3) high-strength seamless line pipe. On November 8, 1999, the petitioners rebutted these arguments. We have preliminarily determined that there is a single class or kind of merchandise for small diameter pipe and another distinct single class or kind of merchandise for large diameter pipe. For further discussion on this topic see the *Notice of Preliminary Determinations of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and the Republic of South Africa*, FR 64 69721 (December 14, 1999).

Period of Investigation

The period of this investigation (POI) comprises each exporter's two most recent fiscal quarters prior to the filing of the petition (*i.e.*, October 1, 1998, through March 31, 1999).

Nonmarket Economy Status

The Department has treated Romania as a non-market-economy (NME) country in all past antidumping investigations (*see, e.g., Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe From Romania*, 61 FR 24274 (May 14, 1996)). A designation as a NME remains in effect until it is revoked by the Department (*see* section 771(18)(C) of the Act).

The respondents in this investigation have not requested a revocation of Romania's NME status. We have, therefore, preliminarily determined to continue to treat Romania as a NME.

When the Department is investigating imports from a NME, section 773(c)(1) of the Act directs us to base normal value (NV) on the NME producer's factors of production, valued in a comparable market economy that is a significant producer of comparable merchandise. The sources of individual factor prices are discussed under the *Normal Value* section, below.

Market-Oriented Industry

As indicated above, the two Romanian producers and their respective trading companies as well as the Romanian Ministry of Industry and Commerce, requested that the Department find the seamless pipe industry in Romania to be a MOI.

The criteria for determining whether a MOI exists are: (1) There must be virtually no government involvement in setting prices or amounts to be produced; (2) the industry producing the merchandise under review should be characterized by private or collective ownership; and (3) market determined prices must be paid for all significant inputs, whether material or non-material, and for all but an insignificant portion of all inputs accounting for the total value of the merchandise. *See Chrome-Plated Lug Nuts from the People's Republic of China; Final Results of Administrative Review*, 61 FR 58514, 58516 (November 15, 1996) (*Lug Nuts*). In addition, in order to make an affirmative determination that an industry in a NME country is a MOI, the Department requires information on virtually the entire industry. A MOI claim, and supporting evidence, must cover producers that collectively constitute the industry in question; otherwise, the MOI claim is dismissed. (*See, e.g., Freshwater Crawfish Tailmeat from the People's Republic of China, Final Determination of Sales at Less than Fair Value*, 62 FR 41347, 41353 (August 1, 1997) (*Crawfish*).)

We find preliminarily in this investigation that the Romanian seamless pipe industry does not meet the Department's criteria for an affirmative MOI finding because the respondents have placed information on the record showing that all of the known seamless pipe producers were primarily owned by the government during virtually the entire POI. Specifically, in prior cases, even where we have found some degree of private and collective ownership in the industry in question, we determined that the second prong of the MOI test was not met because the share of total production capacity accounted for by private enterprises or collectives was small. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Preserved Mushrooms from the People's Republic of China* 63 FR 251, 72261 (December 31, 1998). Furthermore, notwithstanding the issue of ownership, we do not have sufficient information with respect to approximately 20 percent of the seamless pipe industry in Romania and, therefore, are unable to determine whether the Romanian government is involved in setting prices or amounts to be produced for a significant portion of the industry for which we have no information on the record. For a complete discussion of the Department's preliminary determination that the seamless pipe industry does not constitute a MOI, *see* the December 15, 1999, memorandum, *Whether the Seamless Pipe Industry* in Romania Should Be Treated as a Market-Oriented Industry, which is on file in the Central Records Unit (CRU) (room B–099 of the main Commerce Building).

Separate Rates

It is the Department's policy to assign all exporters of subject merchandise subject to investigation in a non-market-economy (NME) country a single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate. For purposes of this "separate rates" inquiry, the Department analyzes each exporting entity under the test established in the *Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China*, 56 FR 20588 (May 6, 1991) (*Sparklers*), as amplified in *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585 (May 2, 1994) (*Silicon Carbide*). Under this test, exporters in NME countries are entitled to separate, company-specific margins when they can demonstrate an absence of government control over exports, both in law (de jure) and in fact (de facto).

Evidence supporting, though not requiring, a finding of de jure absence of government control includes the following: (1) An absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) any other formal measures by the government decentralizing control of companies.

De facto absence of government control with respect to exports is based on the following four criteria: (1) Whether the export prices are set by or subject to the approval of a government authority; (2) whether each exporter retains the proceeds from its sales and makes independent decisions regarding the disposition of profits or financing of losses; (3) whether each exporter has autonomy in making decisions regarding the selection of management; and (4) whether each exporter has the authority to negotiate and sign contracts. (*See Silicon Carbide*, 59 FR at 22587.)

We have determined, according to the criteria identified in *Sparklers* and *Silicon Carbide*, that the evidence of record demonstrates an absence of government control, both in law and in fact, with respect to exports by Sota and MBI. Both Sota and MBI were established as privately-owned limited-liability trading companies after Romania began its extensive privatization program in 1990; neither company has been state-owned nor controlled by provincial or local governments. These companies are only limited by their respective articles of incorporation and bylaws and are not subject to legislative enactments decentralizing the companies' control. Specifically, the information on the record shows that these companies are autonomous in selecting their management, negotiating and signing contracts, setting their own export prices and retaining their own profits. For a complete discussion of the Department's preliminary determination that Sota and MBI are entitled to separate rates, *see* the January 28, 2000, memorandum, *Assignment of Separate Rates for Respondents in the Antidumping Duty Investigation of Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Romania*, which is on file in the CRU.

Romania-Wide Rate

As in all NME cases, the Department implements a policy whereby there is a rebuttable presumption that all exporters or producers comprise a single exporter under common government control, the "NME entity." The Department assigns a single NME rate to the NME entity, unless an exporter can demonstrate eligibility for a separate rate. Information on the record of this investigation indicates that Sota and MBI are the only Romanian exporters to the United States of the subject merchandise produced by Silcotub and Petrotub. Further, as noted above, although Republica produces the subject merchandise, we have confirmed with U.S. Customs that no subject merchandise produced by Republica was sold to the United States during the POI, either directly by Republica or through trading companies in Romania.

Since all exporters/producers of the subject merchandise sold to the United States during the POI responded to the Department's questionnaire, and we have no reason to believe that there are other non-responding exporters/producers of the subject merchandise during the POI, we calculated a Romania-wide rate based on the weighted-average margins determined for Sota and MBI.

Fair Value Comparisons

To determine whether sales of the subject merchandise by Sota and MBI to the United States were made at LTFV, we compared the export price (EP) to the NV, as described in the *Export Price* and *Normal Value* sections of this notice, below. In accordance with

section 777A(d)(1)(A)(i) of the Act, we compared POI-wide weighted-average EPs to weighted-average NVs.

Export Price

We used EP methodology in accordance with section 772(a) of the Act, because Sota and MBI sold the subject merchandise directly to unaffiliated customers in the United States prior to importation, and CEP methodology was not otherwise appropriate.

1. Sota

We calculated EP based on packed C&F prices to the first unaffiliated purchaser in the United States. Where appropriate, we made deductions from the starting price (gross unit price) for inland freight from the plant/warehouse to the port of embarkation, brokerage and handling in Romania, and ocean freight. Because certain domestic brokerage and handling and inland freight were provided by NME companies, we based those charges on surrogate rates from Indonesia and Egypt. (*See* the *Normal Value* section for further discussion.)

2. MBI

We calculated EP based on packed FOB Romanian-port prices to the first unaffiliated purchaser in the United States. Where appropriate, we made deductions from the starting price (gross unit price) for inland freight from the plant/warehouse to the port of embarkation, and brokerage and handling in Romania. As with Sota, because certain domestic brokerage and handling and inland freight were provided by NME companies, we based those charges on surrogate rates from Indonesia and Egypt. (*See* the *Normal Value* section for further discussion.)

Normal Value

A. *Surrogate Country*

Section 773(c)(4) of the Act requires the Department to value the NME producer's factors of production, to the extent possible, in one or more market economy countries that: (1) Are at a level of economic development comparable to that of the NME country; and (2) are significant producers of comparable merchandise. The Department initially determined that Egypt, the Philippines, Morocco, Algeria, Jamaica, and Ecuador are the countries most comparable to Romania in terms of overall economic development (*see* the August 24, 1999, memorandum, *Certain Small Diameter Pipe ("S–D Pipe") from Romania: Nonmarket Economy Status and Surrogate Country Selection*). We subsequently included Indonesia among the countries which are economically comparable to Romania because Indonesia's GNP per-capita and overall economic development are also similar to those of the above-referenced countries.

Because of a lack of the necessary factor price information from the other potential surrogate countries that are significant producers of comparable products to the subject merchandise, we have relied, where possible, on information from Indonesia, the source of the most complete information from among the potential surrogate countries. Accordingly, we have calculated NV by applying Indonesian values to the Romanian producers' factors of production for virtually all factors. Where we were unable to obtain Indonesian values, we used values for inputs from Egypt, which also produces products comparable to the subject merchandise. For a complete analysis of the selection of the surrogate country, see the January 28, 2000, memorandum, *Selection of the Surrogate Country in the Antidumping Duty Investigation of Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Romania* on file in the CRU.

B. Factors of Production

In accordance with section 773(c) of the Act, we calculated NV based on factors of production reported by the companies in Romania which produced seamless pipes for the exporters that sold seamless pipes to the United States during the POI. To calculate NV, the reported unit factor quantities were multiplied by publicly available Indonesian and, where necessary, Egyptian values.

In selecting the surrogate values, we considered the quality, specificity, and contemporaneity of the data. As appropriate, we adjusted input prices to make them delivered prices. We added to Indonesian surrogate values a surrogate freight cost using the reported distance from the domestic supplier to the factory because this distance was shorter than the distance from the nearest seaport to the factory. This adjustment is in accordance with the Court of Appeals for the Federal Circuit's decision in *Sigma Corp.* v. *United States*, 117 F. 3d 1401 (Fed. Cir. 1997). Where a producer did not report the distance between the material supplier and the factory, we used as facts available the longest distance reported, *i.e.*, the distance between the Romanian seaport and the producer's location. For those values not contemporaneous with the POI, we adjusted for inflation using wholesale price indices published in the International Monetary Fund's International Financial Statistics.

We valued material inputs and packing material (*i.e.*, where applicable, steel billet, lacquer, plastic caps, ink, paint, strap, clips, steel scrap, and foil) by Harmonized Tariff Schedule (HTS) number, using imports statistics from the UN Commodity Trade Statistics for 1998. Where a material input was purchased in a market-economy currency from a market-economy supplier, we valued such a material input at the actual purchase price in accordance with § 351.408 (c)(1) of the Department's regulations. For a complete analysis of surrogate values, *see* the January 28, 2000, memorandum, *Factors of Production Valuation for Preliminary Determination Valuation Memorandum*), on file in the CRU.

We valued labor using the method described in 19 CFR 351.408(c)(3).

To value electricity, we used the 1997 electricity rates, as adjusted, for Indonesia reported in the publication *Energy Prices and Taxes*, 2nd quarter 1999. We based the value of natural gas on 1998 Indonesian prices reported in *Energy Prices and Taxes*, 2nd quarter 1999.

We based our calculation of factory overhead and selling, general and administrative (SG&A) expenses on 1997 financial statements of three Indonesian producers (*i.e.*, PT Jakarta Kyoei, PT Jaya Pari, and PT Krakatau) of products comparable to the subject merchandise. In order to calculate a positive amount for profit consistent with *Certain Fresh Cut Flowers From Ecuador: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 64 FR 18678 (April 16, 1999), we calculated profit based only on PT Krakatau's financial statement because the financial statements for PT Jakarta Kyoei and PT Jaya Pari indicate that those companies incurred losses. Disregarding those financial statements enabled us to derive an "element of profit" as intended by the SAA. *See* SAA at 839.

To value truck freight rates, we used a 1999 rate provided by a trucking company located in Indonesia. For rail transportation, we valued rail rates using information found in a December, 1994 cable from the U.S. Embassy in Jakarta, Indonesia, as adjusted for inflation.

For brokerage and handling, because an Indonesian value was unavailable, we used a 1999 rate provided by a trucking and shipping company located in Alexandria, Egypt. For further details, see *Valuation Memorandum.*

Verification

As provided in section 782(i) of the Act, we will verify all information relied upon in making our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to suspend liquidation of all imports of subject merchandise from Romania entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. We will instruct the Customs Service to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds the EP, as indicated in the chart below. These suspension of liquidation instructions will remain in effect until further notice.

Exporter/manufacturer	Weighted-average margin percentage
Sota Communication Company	13.75
Metal Business International S.R.L.	10.99
Romania-wide rate	12.34

The Romania-wide rate applies to all entries of the subject merchandise except for entries from exporters/producers that are identified individually above.

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will determine by the later of 120 days after the date of this preliminary determination or 45 days after our final determination whether these imports are materially injuring, or threaten material injury to, the U.S. industry.

Public Comment

Case briefs in six copies must be submitted to the Assistant Secretary for Import Administration no later than March 20, 2000, and rebuttal briefs no later than March 27, 2000. A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. Such summary should be limited to five pages total, including footnotes. In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held on March 23, 2000, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. If this investigation proceeds normally, we will make our final determination not later then 135 days after the publication of this notice in the Federal Register.

This determination is issued and published in accordance with sections 733(d) and 777(i)(1) of the Act.

Dated: January 28, 2000.

Holly A. Kuga,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00-2577 Filed 2-3-00; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-851-802]

Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe From the Czech Republic

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

EFFECTIVE DATE: February 4, 2000.

FOR FURTHER INFORMATION CONTACT: Dennis McClure or John Brinkmann, at (202) 482-0984 or (202) 482-4126, respectively; AD/CVD Enforcement, Office VI, Group II, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations refer to the regulations codified at 19 CFR part 351 (April 1999).

Preliminary Determination

We preliminarily determine that certain small diameter carbon and alloy seamless standard, line, and pressure pipe (seamless pipe) from the Czech Republic are being sold, or are likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the *Suspension of Liquidation* section of this notice.

Case History

This investigation was initiated on July 20, 1999.[1] *See Initiation of Antidumping Duty Investigations: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Japan and Mexico; and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Japan, the Republic of South Africa and Romania,* 64 FR 40825 (July 28, 1999) (*Initiation Notice*). Since the initiation of the investigation, the following events have occurred:

As of the date of initiation of this investigation, the Czech Republic was still considered a non-market economy (NME) country. On July 23, 1999, the Department received a letter from the Czech Ambassador, on behalf of the Government of the Czech Republic, requesting revocation of the Czech Republic's NME status, under section 771(18)(A) of the Act, in the context of this investigation. On August 5, 1999, the Department initiated a formal inquiry into the Czech Republic's status as a NME. On August 12, 1999, the Department selected Nova Hut, a.s. (Nova Hut), the sole producer of the subject merchandise in the Czech Republic, as a mandatory respondent, and issued section A of the NME and market economy [2] antidumping questionnaires to Nova Hut. On August 16, 1999, the Department received comments from the Czech Government and petitioners addressing the criteria necessary to revoke the Czech Republic's NME status.

[1] The petitioners in this investigation are Gulf States Tube, a Division of Vision Metals, Inc.; Koppel Steel Corporation; Sharon Tube Corporation; USS/Kobe Steel Corporation; U.S. Steel Group, a unit of USX Corporation; and the United Steelworkers of America.

[2] Both versions of the questionnaire were issued because Nova Hut had requested that the NME status of the Czech Republic be revoked.

On August 23, 1999, the United States International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that imports of the products subject to this antidumping investigation are materially injuring the U.S. industry. *See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania, and South Africa*, 64 FR 46953 (August 27, 1999).

On August 17, 1999, we issued the remainder of the NME and market economy questionnaires to Nova Hut.

While Nova Hut responded to section A of the Department's NME questionnaire on September 9, 1999, no further NME responses were received. Nova Hut submitted its responses to Department's market economy questionnaire on September 9 and October 14, 1999.

On November 2, 1999, the petitioners requested that the Department initiate a below-cost sales investigation. After examining the petitioners' request, on November 5, 1999, the Department initiated a below-cost sales investigation and requested that Nova Hut respond to the Department's cost of production questionnaire. See Memorandum from John Brinkmann to David Mueller, *Allegation of Sales Below the Cost of Production for Nova Hut, a.s. (Cost Memo)*, dated November 5, 1999, on file in the Central Records Unit (CRU), room B–099 of the Main Commerce Department Building. Nova Hut submitted its response to the Department's cost of production questionnaire on December 13, 1999.

We issued supplemental questionnaires where appropriate. Responses to those supplemental questionnaires were timely filed between November 12, 1999 and January 6, 2000 and we have incorporated the information provided in those responses into this preliminary determination.

On November 10, 1999, the petitioners made a timely request that the Department postpone the preliminary determination in this investigation and the companion investigations from Romania and Mexico on the grounds that these investigations are extraordinarily complicated. On November 17, 1999, in accordance with section 733(c)(1) of the Act we extended the deadline for the preliminary determination to January 28, 2000. *See Notice of Postponement of Preliminary Antidumping Duty Determinations: Certain Small and Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Romania and Mexico*, 64 FR 66168 (November 24, 1999).

On December 10, 1999, the Department revoked the Czech Republic's NME status. *See* Memorandum to Robert S. LaRussa, *Antidumping Investigation of Certain Small Diameter Carbon and Alloy Seamless Standard Line and Pressure Pipe from the Czech Republic: Non-Market Economy ("NME") Country Status (Czech Republic: NME Status)*, dated November 29, 1999, on file in the CRU and the section on *Revocation of the Czech Republic's Non-Market Economy Status*, below. Thereafter, this investigation continued under the Department's market economy procedures.

On January 18, 2000, the petitioners submitted comments regarding Nova Hut's response to the Department's section D questionnaire. We note that the petitioners' submission was not received in sufficient time to be considered for purposes of the Department's preliminary determination.[3] However, we intend to examine these comments in detail and, if necessary, we will issue an additional questionnaire to clarify or supplement information previously submitted by Nova Hut.

On January 19 and 20, 2000, in response to the Department's section D supplemental questionnaire, Nova Hut provided additional information from its affiliated suppliers. On January 21, 2000, Nova Hut responded to the petitioners' January 18, 2000, comments. As explained above, we will take these comments into consideration for the final determination.

Although the deadline for this determination was originally January 26, 2000, due to the Federal Government shutdown on January 25 and 26, 2000, resulting from inclement weather, the time frame for issuing this determination has been extended by two days.

Postponement of Final Determination and Extension of Provisional Measures

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise, or in the event of a negative preliminary determination, a request for such postponement is made by the petitioners. The Department's regulations, at 19 CFR 351.210(e)(2), require that requests by respondents for postponement of a final determination be accompanied by a request for extension of provisional measures from a four-month period to not more than six months.

On October 29, 1999, Nova Hut requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until not later than 135 days after the date of the publication of an affirmative preliminary determination in the Federal Register. Nova Hut also included a request to extend the provisional measures to not more than six months. Therefore, in accordance with 19 CFR 351.210(b), because (1) our preliminary determination is affirmative, (2) the requesting exporter accounts for a significant portion of exports of the subject merchandise, and (3) no compelling reason for denial exists, we are granting the respondent's request and are postponing the final determination until not later than 135 days after the date of the publication of the preliminary determination.

Period of Investigation

The period of this investigation (POI) comprises Nova Hut's four most recent fiscal quarters prior to the filing of the petition (*i.e.*, April 1, 1998, through March 31, 1999).

Scope of Investigation

For purposes of this investigation, the products covered are small diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes and redraw hollows produced, or equivalent, to the ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and the American Petroleum Institute (API) 5L specifications and meeting the physical parameters described below, regardless of application. The scope of this investigation also includes all products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification. Specifically included within the scope of this investigation are seamless pipes and redraw hollows, less than or equal to 4.5 inches (114.3 mm) in outside diameter, regardless of wall-thickness, manufacturing process

[3] Given that the Department did not revoke the Czech Republic's NME status until December 10, 1999, Nova Hut did not respond to the Department's December 22, 1999 supplemental section D questionnaire until January 6, 2000. As a result, the petitioners did not submit their comments regarding this response until January 18, 2000.

(hot finished or cold-drawn), end finish (plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish.

The seamless pipes subject to this investigation are currently classifiable under the subheadings 7304.10.10.20, 7304.10.50.20, 7304.31.30.00, 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 HTSUS.

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 ASTM A–106 standard may be used in temperatures of up to 1000 degrees Fahrenheit, at various ASME code stress levels. Alloy pipes made to ASTM A–335 standard must be used if temperatures and stress levels exceed those allowed for ASTM A–106. 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. If exceptionally low temperature uses or conditions are anticipated, standard pipe may be manufactured to ASTM A–333 or ASTM A–334 specifications.

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 water well pipe (ASTM A–589) and seamless galvanized pipe for fire protection uses (ASTM A–795) are used for the conveyance of water.

Seamless pipes are commonly produced and certified to meet ASTM A–106, ASTM A–53, API 5L–B, and API 5L–X42 specifications. To avoid maintaining separate production runs and separate inventories, manufacturers typically triple or quadruple certify the pipes by meeting the metallurgical requirements and performing the required tests pursuant to the respective specifications. 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 or quadruple 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, ASTM A–106 pipes may be used in some boiler applications.

Redraw hollows are any unfinished pipe or "hollow profiles" of carbon or alloy steel transformed by hot rolling or cold drawing/hydrostatic testing or other methods to enable the material to be sold under ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications.

The scope of this investigation includes all seamless pipe meeting the physical parameters described above and produced to one of the specifications listed above, regardless of application, and whether or not also certified to a non-covered specification. Standard, line, and pressure applications and the above-listed specifications are defining characteristics of the scope of this investigation. Therefore, seamless pipes meeting the physical description above, but not produced to the ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications shall be covered if used in a standard, line, or pressure application.

For example, there are certain other ASTM specifications of pipe which, because of overlapping characteristics, could potentially be used in ASTM A–106 applications. These specifications generally include ASTM A–161, ASTM A–192, ASTM A–210, ASTM A–252, ASTM A–501, ASTM A–523, ASTM A–524, and ASTM A–618. 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 the scope of this investigation are boiler tubing and mechanical tubing, if such products are not produced to ASTM A–53, ASTM A–106, ASTM A–333, ASTM A–334, ASTM A–335, ASTM A–589, ASTM A–795, and API 5L specifications and are not used in standard, line, or pressure pipe applications. In addition, finished and unfinished oil country tubular goods (OCTG) are excluded from the scope of this investigation, if covered by the scope of another antidumping duty order from the same country. If not covered by such an OCTG order, finished and unfinished OCTG are included in this scope when used in standard, line or pressure applications.

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

Class or Kind

From August through November 1999, the Department received submissions from importers, respondents, and consumers in the companion investigations involving small and large diameter seamless pipe from Japan, requesting that the subject merchandise be considered more than one class or kind. Specifically, those parties requested that the Department subdivide each of these investigations into the following separate classes or kinds of merchandise: (1) Commodity grade carbon seamless standard, line and pressure pipe; (2) alloy seamless pipe; and (3) high-strength seamless line pipe. On November 8, 1999, the petitioners rebutted these arguments. We have preliminarily determined that there is a single class or kind of merchandise for small diameter pipe and another distinct single class or kind of merchandise for large diameter pipe. For further discussion on this topic see the *Notice of Preliminary Determinations of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and the Republic of South Africa*, FR 64 69721 (December 14, 1999).

Product Comparisons

In accordance with section 771(16) of the Act, all products produced by Nova Hut covered by the description in the *Scope of Investigation* section, above, and sold in the Czech Republic during the POI, are considered to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We have relied on six criteria to match U.S. sales

of subject merchandise to comparison-market sales of the foreign like product: specification/grade, manufacturing process, outside diameter, wall thickness, surface finish, and end-finish. These characteristics have been weighted by the Department, where appropriate. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics as listed above.

Revocation of the Czech Republic's Non-Market Economy Status

In determining whether to revoke NME-country status under section 771(18)(A) of the Act, the Department must take into account the following factors under section 771(18)(B): (1) The extent to which the currency of the foreign country is convertible into the currency of other countries; (2) the extent to which wage rates in the foreign country are determined by free bargaining between labor and management; (3) the extent to which joint ventures or other investments by firms of other foreign countries are permitted in the foreign country; (4) the extent of government ownership or control of the means of production; (5) the extent of government control over the allocation of resources and over the price and output decisions of enterprises; and (6) such other factors as the administering authority considers appropriate.

Since its emergence as an independent, democratic state, the Czech Republic has made significant progress in its transformation into a market economy country. The Czech currency is now fully convertible. Wages in the Czech Republic are largely determined by free bargaining between labor and management. Trade has been liberalized and tariffs reduced, and the Czech government is actively promoting foreign investment and business ventures. Industry, agriculture and services have all been privatized, and the power to make decisions related to the allocation of resources, and over pricing and output decisions, now rests with the private sector. Based on the preponderance of evidence related to economic reforms in the Czech Republic required under section 771(18)(B) of the Act, the Department revoked the Czech Republic's NME country status, effective January 1, 1998. *See Czech Republic: NME Status.*

Fair Value Comparisons

To determine whether sales of seamless pipe products from the Czech Republic were made in the United States at LTFV, we compared the export price (EP) to the normal value (NV), as described in the *Export Price* and *Normal Value* sections of this notice, below. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs for comparison to weighted-average NVs.

Export Price

We used EP methodology in accordance with section 772 of the Act, because Nova Hut sold the subject merchandise directly to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States prior to the date of importation, and CEP methodology was not otherwise, appropriate.

We calculated EP based on documents alongside freight (DAF Polish border) packed prices charged to the first unaffiliated customer in the United States. In accordance with section 772(c)(2) of the Act, we made deductions from the starting price, where appropriate, for movement expenses, including foreign inland freight and export license fees for shipment.

Normal Value

A. Selection of Comparison Markets

Section 773(a)(1) of the Act directs that NV be based on the price at which the foreign like product is sold in the home market, provided that the merchandise is sold in sufficient quantities, and that there is no particular market situation that prevents a proper comparison with the EP. The statute contemplates that quantities will normally be considered insufficient if they are less than five percent of the aggregate quantity of sales of the subject merchandise to the United States.

Nova Hut had a viable home market for seamless pipe products, and reported home market sales data for purposes of the calculation of NV.

In deriving NV, we made certain adjustments to price as detailed in the *Calculation of Normal Value Based on Home-Market Prices* section of this notice, below.

B. Cost of Production Analysis

As noted above, on November 2, 1999, petitioners filed a below-cost sales allegation against Nova Hut. Based on our analysis of the allegation, and in accordance with section 773(b)(2)(A)(i) of the Act, we found reasonable grounds to believe or suspect that sales of seamless pipe, manufactured in the Czech Republic, were made at prices below the cost of production (COP). *See Cost Memo.* As a result, the Department conducted an investigation to determine whether Nova Hut made home market sales during the POI at prices below their respective COPs, within the meaning of section 773(b) of the Act.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP based on the sum of Nova Hut's costs of materials and fabrication for the foreign like product, plus amounts for selling, general, and administrative expenses (SG&A) and packing.

For the COP calculation, we relied on Nova Hut's COP information from the company's December 13, 1999, and January 6, 2000 submissions, except in the following instances:

(1) Nova Hut obtained iron, a major input, from an affiliate. For reporting purposes, Nova Hut valued this input at the weighted-average transfer price.[4] Based on the transfer price and market price information in Nova Hut's December 12, 1999, and January 6, 2000, cost of production responses, for the preliminary determination, we compared the transfer price of iron to the market price of iron. Because the market price was higher than the transfer price, we increased the transfer price to reflect the market price;

(2) For the minor inputs purchased from affiliated parties (*i.e.*, oxygen and iron ore), we increased the reported transfer prices to reflect the higher market prices;

(3) We revised Nova Hut's general and administrative (G&A) expense rate calculation; and

(4) We revised the financial expense ratio.

See Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination for Nova Hut, dated January 28, 2000, on file in the CRU.

[4] Sections 773(f)(2) and (3) of the Act prescribe how the Department is to treat affiliated-partly transactions in the calculation of cost of production and constructed value. With respect to major inputs purchased from affiliated suppliers, the Department's practice is that such imports will normally be valued at the higher of the affiliated party's transfer price, the market price of the inputs, or the actual costs incurred by the affiliated supplier in producing the input. (*See, e.g. Fresh Atlantic Salmon From Chile: Final Determination of Sales at Less Than Fair Value*, 63 FR 31426, 31427 June 9, 1998); *Notice of Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Pasta from Italy*, 64 FR 6615, 6621–6623 (February 10, 1999). However, Nova Hut was unable to provide the suppliers' cost information in time for consideration in this preliminary determination (this information was provided on January 19 and 20, 2000). Therefore, for this preliminary determination, we used the transfer prices or market prices, as appropriate. We will consider the respondent's suppliers' cost data for the final determination.

2. Test of Home-Market Sales Prices

We compared the weighted-average COP for Nova Hut to home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether these sales had been made at prices below the COP within an extended period of time (*i.e.*, a period of one year) in substantial quantities [5] and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time.

We used the revised COP data from the December 13, 1999, and January 6, 2000, submissions, to compare to the home market prices, less any applicable billing adjustments, discounts, rebates, and indirect selling expenses, on a model-specific basis.

3. Results of the COP Test

Pursuant to section 773(b)(2)(B) of the Act, since we found 20 percent or more of Nova Hut's sales of certain products during the POI were at prices less than the weighted-average COP for the POI, we preliminary determine such sales to have been made in "substantial quantities" within an extended period of time. We also preliminary determine these sales below cost were not made at prices that would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Therefore, for purposes of these preliminary results, we have disregarded these below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act. Although, some products had no above-cost sales, we did not need to use constructed value (CV) as a basis for NV in our comparisons to EP, because all EP sales were matched to similar models of above-cost sales from the home market.

C. Arms-Length Test

Sales to affiliated customers for consumption in the home market which were determined not to be at arm's-length were excluded from our analysis. To test whether these sales were made at arm's-length, we compared the prices of sales of comparison products to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, discounts, and packing. Pursuant to 19 CFR 351.403 and in accordance with our practice, where the prices to the affiliated party were on average less than 99.5 percent of the prices to unaffiliated parties, we determined that the sales made to the affiliated party were not at arm's-length. *See Notice of Final Results and Partial Recission of Antidumping Duty Administrative Review: Roller Chain, Other Than Bicycle, From Japan*, 62 FR 60472, 60478 (November 10, 1997) and *Antidumping Duties; Countervailing Duties: Final Rule (Antidumping Duties)*, 62 FR 27295, 27355–56 (May 19, 1997). We included those sales to affiliated customers that passed the arm's-length test in our analysis. (*see* 19 CFR 351.403).

D. Level of Trade

As set forth in section 773(a)(1)(B)(i) of the Act and in the Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H.R. Doc. 103–316 at 829–831 (1994), to the extent practicable, the Department will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales.

We examined information on the selling activities associated with each channel of trade in each of Nova Hut's markets. Nova Hut's home market sales were all exworks and its U.S. sales were DAF Polish border. The EP LOT did not differ considerably from the home market LOT with respect to selling activities, although there were slight differences with respect to advertising and warehousing. Therefore, we determine that there was a single LOT in each market and that these LOTs were comparable. For a detailed description of our level-of-trade methodology and findings for this preliminary determination, *see* the January 28, 2000, *Antidumping Investigation of Certain Small Diameter Seamless Pipe from the Czech Republic: Preliminary Level of Trade Findings Memorandum* on file in the CRU.

E. Calculation of Normal Value Based on Home-Market Prices

We performed price-to-price comparisons using sales of comparable merchandise in the home market that did not fail the cost test. We calculated NV based on "exworks" prices. In addition, we made circumstance-of-sale (COS) adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses and billing adjustments. We made no adjustments for discounts or rebates since the invoice price is already net of these discounts and rebates. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

We made the following adjustments to Nova Hut's reported home market sales data: (1) We recalculated the imputed credit expenses by adding back to the gross price, on-invoice billing adjustments made for orders that did not meet a minimum quantity requirement; (2) for sales with missing payment dates, the Department set the date of payment as the projected preliminary results date; (3) we deleted seamless pipe products that were sold as an overrun or non-prime product since overrun and non-prime seamless pipe were not sold in the U.S. market; and (4) we used the revised variable cost of manufacturing and total cost of manufacturing reported in the COP database and CV database to calculate our difference in merchandise adjustment, as noted above in the *Cost of Production Analysis* section. *See Preliminary Calculation Memorandum for Nova Hut, a.s.*, dated January 28, 2000, on file in the CRU.

Currency Conversions

We made currency conversions into United States dollars in accordance with section 773A(a) of the Act based on exchange rates in effect on the dates of the United States sales, as provided by the Dow Jones Business Information Services.

Verification

In accordance with section 782(i) of the Act, we intend to verify all information relied upon in making our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing Customs to suspend liquidation of all entries of seamless pipe products from the Czech Republic, that are entered or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We are also instructing Customs to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds the EP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice.

The weighted-average dumping margins are provided below.

Manufacturer/exporter	Margin (percent)
Nova Hut	12.55
All Others	12.55

ITC Notification 19

In accordance with section 733(f) of the Act, we have notified the ITC of our

[5] In accordance with section 773(b)(2)(C)(i) of the Act, we determined that sales made below the COP were made in substantial quantities if the volume of such sales represented 20 percent or more of the volume of sales under consideration for the determination of NV.

determination. If our final antidumping determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the United States industry. The deadline for that ITC determination would be the later of 120 days after the date of this preliminary determination or 45 days after the date of our final determination.

Public Comment

Case briefs for this investigation must be submitted no later March 16, 2000. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes.

Section 774 of the Act provides that the Department will hold a hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by any interested party. If a request for a hearing is made in an investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

If this investigation proceeds normally, we will make our final determination no later than 135 days after the date of publication of this notice in the Federal Register.

This determination is issued and published pursuant to sections 733(d) and 777(i)(1) of the Act.

Dated: January 28, 2000.

Holly A. Kuga,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00–2583 Filed 2–3–00; 8:45 am]

BILLING CODE 3510–DS–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–846–850 (Final)]

Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe and Tube From The Czech Republic, Japan, Mexico, Romania, and South Africa

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigations.

EFFECTIVE DATE: February 17, 2000.

FOR FURTHER INFORMATION CONTACT: Bob Carr (202–205–3402), 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. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov).

SUPPLEMENTARY INFORMATION: On January 7, 2000, the Commission established a schedule for the conduct of the final phase of the subject investigations (65 FR 2430, January 14, 2000). Subsequently, the Department of Commerce extended the date for its final determinations in the investigations on Japan and South Africa from February 21, 2000 to April 27, 2000 (65 FR 6153). Commerce has also extended the date for its determinations on the Czech Republic, Mexico, and Romania to June 19, 2000. The Commission, therefore, is revising its schedule to conform with Commerce's new schedule.

The Commission's new schedule for the investigations is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than April 27, 2000; the prehearing conference will be held at the U.S. International Trade Commission Building at 9:30 a.m. on May 1; the prehearing staff report will be placed in the nonpublic record on April 21; the deadline for filing prehearing briefs is April 28; the hearing will be held at the U.S. International Trade Commission Building at 9:30 a.m. on May 4; the deadline for filing posthearing briefs is May 11; the Commission will make its final release of information on May 25; and, final party comments for the investigations concerning Japan and South Africa are due on May 30, while final party comments for the investigations concerning the Czech Republic, Mexico, and Romania are due no later than three business days following the release of Commerce's final determinations for those countries.

For further information concerning these investigations see the Commission's notice cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: February 18, 2000.

Donna R. Koehnke,

Secretary.

[FR Doc. 00–4497 Filed 2–24–00; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–851–802]

Notice of Amended Preliminary Determination of Sales at Less Than Fair Value: Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe From the Czech Republic

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

EFFECTIVE DATE: March 10, 2000.

FOR FURTHER INFORMATION CONTACT: Dennis McClure at (202) 482–0984; AD/CVD Enforcement, Office VI, Group II, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

Amendment of Preliminary Determination

The Department of Commerce (the Department) is amending the preliminary determination in the antidumping duty investigation of certain small diameter carbon and alloy seamless standard, line, and pressure pipe from the Czech Republic. This amended preliminary determination results in revised antidumping rates.

On January 28, 2000, the Department issued its affirmative preliminary determination in this proceeding. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from the Czech Republic*, 65 FR 5599 (February 4, 2000).

On February 10, 2000, the petitioners [1] submitted allegations of certain ministerial errors. The petitioners alleged that the Department applied an incorrect conversion to U.S. packing costs, and, that the Department's margin calculation program language incorrectly matched U.S. sales to constructed value when appropriate identical or similar sales matches were available. On February 10, 2000, Nova Hut, the respondent, submitted a ministerial error allegation regarding our product matching criteria alleging that the Department did not match certain U.S. sales to the most similar home market product.

The Department has reviewed its preliminary calculations and agrees with the petitioners that it made certain ministerial errors within the meaning of 19 CFR 351.224(f) and (g). However, we disagree with Nova Hut that our criteria for matching U.S. and home market products contained a ministerial error. *See* "Ministerial Error Allegations for the Preliminary Determination" memorandum to Holly A. Kuga, Acting Deputy Assistant Secretary for Import Administration, Group II, February 24, 2000, on file in room B–099 of the Main Commerce building.

As a result of our analysis of the petitioners' allegations, we are amending our preliminary determination to revise the antidumping rate for Nova Hut in accordance with 19 CFR 351.224(e), along with the corresponding correction to the "all others" rate, as listed below. Suspension of liquidation will be revised accordingly and parties shall be notified of this determination, in accordance with sections 733(d) and (f) of the Act.

The revised weighted-average dumping margins are as follows:

Manufacturer/exporter	Weighted-average margin percentage
Nova Hut	32.26
All Others	32.26

This determination is issued and published pursuant to sections 733(d) and 777(i)(1) of the Act.

Dated: March 6, 2000.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 00–5936 Filed 3–9–00; 8:45 am]

BILLING CODE 3510–DS–P

[1] The petitioners in this investigation are Gulf States Tube, a Division of Vision Metals, Inc.; Koppel Steel Corporation; Sharon Tube Corporation; USS/Kobe Steel Corporation; U.S. Steel Group, a unit of USX Corporation; and the United Steelworkers of America.

DEPARTMENT OF COMMERCE

International Trade Administration

[A-201-827]

Notice of Amended Preliminary Determination of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe From Mexico

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

EFFECTIVE DATE: March 14, 2000.

FOR FURTHER INFORMATION CONTACT: Russell Morris at (202) 482-1775, AD/CVD Enforcement, Office VI, Group II, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

Amendment of Preliminary Determination

The Department of Commerce (the Department) is amending the preliminary determination in the antidumping duty investigation of certain large diameter carbon and alloy seamless standard, line, and pressure pipe from Mexico. This amended preliminary determination results in revised antidumping rates.

On January 28, 2000, the Department issued its affirmative preliminary determination in this proceeding. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Mexico*, 65 FR 5587 (February 4, 2000).

On February 11, 2000, the petitioners [1] submitted allegations of certain ministerial errors. The petitioners alleged that the Department made ministerial errors when it deducted both U.S. dollar and Mexican Peso imputed credit expenses from its normal value (NV) calculation, and that it incorrectly made an exchange rate conversion on one of the imputed credit expenses. The petitioners claimed that another ministerial error occurred when the Department made a constructed export price (CEP) offset to sales matched at a comparable level of trade (LOT). The sole respondent in this investigation, Tubos de Acero de

[1] The petitioners in this investigation are Gulf States Tube, a Division of Vision Metals, Inc.; Koppel Steel Corporation; Sharon Tube Corporation; USS/Kobe Steel Corporation; U.S. Steel Group, a unit of USX Corporation; and the United Steelworkers of America.

Mexico S.A. (TAMSA), did not submit any ministerial error allegations.

The Department has reviewed its preliminary calculations and agrees with the petitioners, in part, that the Department made certain ministerial errors within the meaning of 19 CFR 351.224(f) and (g). The Department inadvertently deducted from the home market price two imputed credit expenses. We intended to deduct only one credit expense from each home market sale. Further, since we were able to match U.S. sales to NV at the same LOT, no CEP offset should have been made. However, we disagree with the petitioners' allegation concerning the currency conversion applied in one of the imputed credit expense calculations. *See* "Ministerial Error Allegations for the Preliminary Determination" memorandum to Holly A. Kuga, Acting Deputy Assistant Secretary, for Import Administration, Group II, dated February 24, 2000, on file in room B–099 of the Main Commerce building.

As a result of our analysis of the petitioners' allegations, we are amending our preliminary determination to revise the antidumping rate for TAMSA in accordance with 19 CFR 351.224(e), along with the corresponding correction to the "all others" rate, as listed below. Suspension of liquidation will be revised accordingly and parties shall be notified of this determination, in accordance with sections 733(d) and (f) of the Act.

The revised weighted-average dumping margins are as follows:

Manufacturer/exporter	Weighted-average margin percentage
TAMSA	14.20
All Others	14.20

This determination is issued and published pursuant to sections 733(d) and 777(i)(1) of the Act.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 00–6266 Filed 3–13–00; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–588–850, A–588–851, A–791–808]

Notice of Final Determinations of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan; and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and the Republic of South Africa

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

EFFECTIVE DATE: May 4, 2000.

FOR FURTHER INFORMATION CONTACT: Charles Riggle at (202) 482–5288 or Constance Handley at (202) 482–0631, Important Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce ("the Department") regulations refer to the regulations codified at 19 CFR part 351 (April 1999).

Final Determinations

We determine that large diameter carbon and alloy seamless standard, line and pressure pipe (large diameter seamless pipe) from Japan, and small diameter carbon and alloy seamless standard, line and pressure pipe (small diameter seamless pipe) from Japan and the Republic of South Africa (South Africa) are being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

The preliminary determinations in these investigations were issued on December 7, 1999. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and the Republic of South Africa*, 64 FR 69718 (December 14, 1999) ("*Preliminary Determinations*"). On January 13, 2000, in the investigations involving Japan, case briefs were filed by Sumitomo Metal Industries, Ltd. (SMI), MC Tubular Products, Inc. (MCTP) and the American Boiler Manufacturers Association (ABMA). The petitioners [1] submitted a rebuttal brief on January 21, 2000. No briefs were filed in the investigation involving the Republic of South Africa (South Africa). On March 9, 2000, we published an affirmative preliminary determination of critical circumstances in the investigations involving small diameter pipe from Japan and South Africa.[2] A hearing was held on March 14, 2000, in the context of the investigations involving Japan. On April 26, 2000, the petitioners requested that the scope of the large diameter investigation be amended to exclude certain products.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to these investigations are addressed in the "Issues and Decision Memorandum" (Decision Memorandum) from Holly A. Kuga, Acting Deputy Assistant Secretary, Import Administration, to Troy H. Cribb, Acting Assistant Secretary for Import Administration, dated April 27, 2000, which is hereby adopted by this notice.

A list of the issues which parties have raised and to which we have responded, all of which are in the Decision Memorandum, is attached to this notice as an Appendix. Parties can find a complete discussion of all issues raised in these investigations and the corresponding recommendations in this public memorandum which is on file in the Central Records Unit, room B–099 of the main Department building.

[1] The petitioners in the large diameter pipe cases include U.S. Steel Group (a unit of USX Corp.), Lorain Tubular Co. LLC ("formerly USS/Kobe Steel Company") and the United Steel Workers of America. The petitioners in the small diameter pipe cases include Koppel Steel Corporation, Sharon Tube Company, U.S. Steel Group, Lorain Tubular Co. LLC and Vision Metals, Inc. (Gulf States Tube Division) and the United Steel Workers of America.

[2] *See Preliminary Determinations of Critical Circumstances: Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and South Africa* 65 FR 12509 (March 9, 2000).

In addition, a complete version of the Decision Memorandum can be accessed directly on the World Wide Web at *www.ita.doc.gov/import_admin/records/frn*. The paper copy and electronic version of the Decision Memorandum are identical in content.

Scope of Investigations

For a description of the scope of this investigation, see the "Scope and Investigations" section of the Decision Memorandum, which is on file in B–099 and available on the Web at *www.ita.doc.gov/import_admin/records/frn/*. The scope of the investigations has been amended since the preliminary determination.

Period of Investigations

The period of the investigations ("POI") for both the large and small diameter seamless pipe cases is April 1, 1998, through March 31, 1999.

Facts Available

In the preliminary determinations, the Department based the dumping margins for the mandatory respondents, Kawasaki Steel Corporation (Kawasaki), Nippon Steel Corporation (Nippon), and Sumitomo Metal Industries (SMI) for both investigations involving Japan; and Iscor Ltd. (Iscor) in the investigation involving South Africa, on facts otherwise available pursuant to section 776(a)(2)(A) of the Act. The use of facts otherwise available is necessary because the record does not contain company-specific information due to the fact that each of these respondents failed to respond to the Department's questionnaire, nor did they provide any indication that they were unable to do so. Therefore, the Department found that they failed to cooperate by not acting to the best of their ability. As a result, pursuant to section 776(b), the Department used an adverse inference in selecting from the facts available. Specifically, the Department assigned to the mandatory respondents the highest margins alleged in the respective petitions. We continue to find these margins corroborated, pursuant to section 776(c) of the Act, for the reasons discussed in the *Preliminary Determinations*. No interested parties have objected to the use of adverse facts available for the mandatory respondents in these investigations, nor to the Department's choice of facts available. For its final determinations, the Department is continuing to use the highest margins alleged by petitioners for all non-responding mandatory respondents in these proceedings. *See Preliminary Determinations*. In addition, the Department has left unchanged from the preliminary determinations the "All Others Rate" in each investigation.

Critical Circumstances

No comments were received regarding the Department's preliminary critical circumstances determinations, and the Department has not made any changes to those determinations. For the reasons given in the preliminary determinations, the Department continues to find that critical circumstances exist with respect to small diameter seamless pipe imported from SMI, Kawasaki and Nippon in the investigation involving Japan and Iscor in the investigation involving South Africa in accordance with section 733(e)(1) of the Act.

As set forth in preliminary determinations, because the massive imports criterion necessary our to find critical circumstances has not been met with respect to firms other than SMI, Kawasaki, Nippon and Iscor, the Department continues to find, for the purposes of these final determinations, that critical circumstances do not exist for imports of small diameter seamless pipe for the "all others" category in both the Japan and South Africa investigations.

There was no allegation of critical circumstances in the investigation of large diameter pipe from Japan.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend all entries of small diameter seamless pipe from the Japan produced by Kawasaki, Nippon and SMI and all entries of small diameter seamless pipe from South Africa produced by Iscor, that are entered, or withdrawn from warehouse, for consumption on or after September 15, 1999, the date 90 days prior to the date of publication of our preliminary determination. The Customs Service will also be directed to continue to suspend liquidation of all entries of large diameter seamless pipe exported from Japan and all entries of small diameter seamless pipe from Japan and South Africa produced by all companies not named above, that are entered, or withdrawn from warehouse, for consumption on or after December 14, 1999, the date of publication of our preliminary determinations in the **Federal Register**. The Customs Service shall require a cash deposit or bond equal to the dumping margin, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice. The dumping margins are provided below:

Manufacturer/exporter	Margin (percent)
Japan—large diameter	
Nippon Steel Corporation ..	107.80
Kawasaki Steel Corporation	107.80
Sumitomo Metal Industries	107.80
All others	68.88
Japan—small diameter	
Nippon Steel Corporation ..	106.07
Kawasaki Steel Corporation	106.07
Sumitomo Metal Industries	106.07
All others	70.43
South Africa—small diameter	
Iscor Ltd.	43.51
All others	40.17

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determinations. As our final determinations are affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

These determinations are published pursuant to sections 735(d) and 777(i)(1) of the Act.

Dated: April 27, 2000.

Troy H. Cribb,

Acting Assistant Secretary for Import Administration.

Appendix I—Issues in Decision Memo

Comments and Responses

1. Class or Kind

[FR Doc. 00–11171 Filed 5–3–00; 8:45 am]

BILLING CODE 3510–DS–M

DEPARTMENT OF COMMERCE

International Trade Administration

[A-851-802]

Preliminary Determination of Critical Circumstances: Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic

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

EFFECTIVE DATE: May 25, 2000.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Dennis McClure, AD/CVD Enforcement, Office 6, Group II, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave, NW, Washington, DC 20230; telephone: (202) 482-4126 or 482-0984, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act. In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at 19 CFR part 351 (April 1999).

Background

On February 4, 2000, the Department published the preliminary affirmative determination in the antidumping duty investigation on certain small diameter carbon and alloy seamless standard, line and pressure pipe (seamless pipe) from the Czech Republic, 65 FR 5599. On April 18, 2000, the petitioners alleged that there is a reasonable basis to believe or suspect that critical circumstances exist with respect to imports of seamless pipe from the Czech Republic.

Critical Circumstances

Section 733(e)(1) of the Act provides that the Department will preliminarily determine that critical circumstances exist if there is a reasonable basis to believe or suspect that: (A)(i) There is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales, and (B) there have been massive imports of the subject merchandise over a relatively short period. Section 351.206(h)(1) of the Department's regulations provides that, in determining whether imports of the subject merchandise have been "massive," the Department normally will examine: (i) The volume and value of the imports; (ii) seasonal trends; and (iii) the share of domestic consumption accounted for by the imports. In addition, section 351.206(h)(2) of the Department's regulations provides that an increase in imports of 15 percent during the "relatively short period" of time may be considered "massive."

Section 351.206(i) of the Department's regulations defines "relatively short period" as normally being the period beginning on the date the proceeding begins (*i.e.*, the date the petition is filed) and ending at least three months later. The regulations also provide, however, that if the Department finds that importers, or exporters or producers, had reason to believe, at some time prior to the beginning of the proceeding, that a proceeding was likely, the Department may consider a period of not less than three months from that earlier time.

History of Dumping and Importer Knowledge

Because we are aware of the European Union's (EU's) November 17, 1997, finding that the Czech Republic had sold similar products (*e.g.*, seamless pipes, of iron or non-alloy steel) at less than fair value and had caused injury to the domestic industry, we find that a reasonable basis exists to believe or suspect that there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, pursuant to section 733(e)(1)(A)(i) of the Act. Although the products investigated by the EU are not all identical to those covered by the scope of this investigation, we do not require the scope of our proceedings to match exactly the scope of the foreign proceeding. *See Notice of Final Determination of Sales at Less Than Fair Value: Disposable Pocket Lighters From the People's Republic of China*, 60 FR 22359, 22368 (May 5, 1995). In addition, the Department may look to the second criterion for determining importer knowledge of dumping.

In determining whether there is a reasonable basis to believe or suspect that an importer knew or should have known that the exporter was selling the seamless pipe at less than fair value, pursuant to section 733(e)(1)(A)(ii) of the Act, the Department's normal practice is to consider margins of 25 percent or more for export price (EP) sales sufficient to impute knowledge of dumping. *See Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China*, 62 FR 31972, 31978 (June 11, 1997). In the instant case, the respondent, Nova Hut, received a margin of 32.26 percent in the amended preliminary determination, 65 FR 12971. Therefore, we have imputed knowledge of dumping to importers of subject merchandise from Nova Hut.

In determining whether there is a reasonable basis to believe or suspect that an importer knew or should have known that there was likely to be material injury by reason of dumped imports, under section 733(e)(1)(A)(ii) of the Act, the Department normally will look to the preliminary injury determination of the International Trade Commission (ITC). If the ITC finds a reasonable indication of present material injury to the relevant U.S. industry, the Department will determine that a reasonable basis exists to impute importer knowledge that there was likely to be material injury by reason of dumped imports. In this case, the ITC has found that a reasonable indication of present material injury due to dumping exists for all imports of seamless pipe from the Czech Republic. *See Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania and South Africa*, 64 FR 46953 (August 27, 1999). As a result, the Department has determined that there is a reasonable basis to believe or suspect that importers knew or should have known that there was likely to be material injury by reason of dumped imports of subject merchandise from the Czech Republic.

Massive Imports

In determining whether there are "massive imports" over a "relatively short period," pursuant to 733(e)(1)(B) of the Act, the Department normally compares the import volume of the subject merchandise for three months immediately preceding and following the filing of the petition. Imports normally will be considered massive

when imports have increased by 15 percent or more during this "relatively short period."

We do not have verifiable data from Nova Hut because it withdrew from verification. Therefore, the Department must base its "massive imports" determination as to the company on the facts available, pursuant to section 776(a) of the Act.[1] Accordingly, we first examined U.S. Customs data[2] on imports of seamless pipe from the Czech Republic for January through June 1999 (the six months preceding the June 30, 1999, filing of the petition) and from July through December 1999 (the six months following the filing of the petition).[3] We found that the total volume of imports of small diameter seamless pipe from the Czech Republic increased by 45.75 percent in the six-month period following the filing of the petition (July through December 1999), as compared to the total volume of such imports from January through June 1999. Second, we considered that Nova Hut, the sole respondent in the investigation, was the only company identified by both the petitioner and the Government of the Czech Republic as a Czech producer of merchandise under investigation. From this we infer that Nova Hut is a significant producer of the merchandise under investigation. As facts available, then, we also infer that a significant portion of the 45.75 percent increase in imports is attributable to Nova Hut. We recognize that some of the HTS categories analyzed to derive the 45.75 percent increase in imports are basket categories that may include non-scope merchandise. However, given that Nova Hut's refusal to supply verifiable data prevents the Department from doing a company-specific massive imports analysis, we are, pursuant to section 776(b) of the Act, making the adverse inference that the country-wide import data is representative of Nova Hut's import data. Moreover, the Department's practice has been to make an adverse inference concerning massive imports with respect to an uncooperative respondent even when country-wide data was not available or not considered. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails from Taiwan*, 62 FR 51427, 51437 (October 1, 1997). We, therefore, find that Nova Hut had massive imports of the subject merchandise over a relatively short period of time, under section 733(e)(1)(B) of the Act and 19 CFR 351.206(h)(2).

Based on our determination that there is a reasonable basis to believe or suspect that there is a history of dumping and material injury by reason of dumped imports of the subject merchandise in the EU, as well as importer knowledge of dumping, and that there have been massive imports of seamless pipe from this producer over a relatively short period, we preliminarily determine that critical circumstances exist for imports from the Czech Republic of seamless pipe produced by Nova Hut.

All Other Exporters

In regard to the "all others" category, it is the Department's normal practice to conduct its critical circumstances analysis based on the experience of investigated companies. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Steel Concrete Reinforcing Bars from Turkey (Rebars from Turkey)*, 62 FR 9737, 9741 (March 4, 1997). In *Rebars from Turkey*, the Department determined that because it found critical circumstances existed for three out of the four companies investigated, critical circumstances also existed for companies covered by the "all others" rate. However, in *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils from Japan (Stainless Steel from Japan)*, 64 FR 30574 (June 8, 1999), the Department did not extend its affirmative critical circumstances findings to the "all others" categories while finding affirmative critical circumstances for four of the five respondents, because the affirmative determinations were based on adverse facts available.

In the instant case, in our critical circumstances analysis for the one investigated company, Nova Hut, we determined that the EU's finding that the Czech Republic had sold similar products at less than fair value and had caused injury to the domestic industry provides reasonable basis to believe or suspect that there is a history of dumping and material injury by reason of dumped imports in this case. Consistent with our practice, we similarly extend this finding to the "all others" category.

With respect to massive imports, however, we are unable to rely on our import level analysis for Nova Hut because it is based upon adverse facts available, and we have no verified data upon which to base a massive imports analysis. Instead, consistent with the approach taken in *Notice of Final Determination of Sales at Less Than Fair Value: Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan*, 64 FR 24239 (May 6, 1999) and *Notice of Final Determinations of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products From Argentina, Japan and Thailand* 65 FR 5220, 5227 (February 4, 2000), we examined U.S. Customs data on overall imports from the Czech Republic for the six months preceding and the six months following the filing of the petition in order to see if we could ascertain whether an increase in shipments of greater than 15 percent or more occurred within a relatively short period following the point at which importers had reason to believe that a proceeding was likely. Information on the record indicates that there was a 45.75 percent increase in overall imports from the Czech Republic for the six months following the filing of the petition, as compared to the six months preceding the filing of the petition. However, these data cover numerous HTS categories that may include merchandise other than subject merchandise. Although we made an adverse inference based on this data with respect to Nova Hut, it is not appropriate to make a similar inference with respect to "all others." Because we have no reliable data upon which to determine whether there were massive imports of seamless pipe from the producers included in the "all others" category, a necessary criterion for determining affirmative critical circumstances has not been met. Therefore, we have preliminarily determined that critical circumstances do not exist for imports from the Czech Republic of seamless pipe for companies in the "all others" category.

Suspension of Liquidation

In accordance with section 733(e)(2) of the Act, the Department will direct the Customs Service to suspend liquidation of all entries of seamless pipe from the Czech Republic produced by Nova Hut, that are entered, or withdrawn from warehouse, for consumption on or after November 6, 1999, which is 90 days prior to the date of publication in the **Federal Register** of our preliminary determination of sales at less than fair value. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated preliminary dumping margin reflected

[1] Because the respondent withdrew from verification, we considered the company non-cooperating and did not request monthly shipment data from the company.

[2] IM–145 import statistics on HTS numbers included within the scope of the investigation.

[3] As stated in *Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia* (64 FR 73164, December 29, 1999), the Department's practice is to use the longest period for which information is available from the month that the petition was submitted through the date of the preliminary determination.

in the preliminary determination of sales at less than fair value published in the Federal Register. This suspension of liquidation will remain in effect until further notice. The margin in the preliminary determination is as follows:

Nova Hut—32.26 percent.

Final Critical Circumstances Determination

We will make final critical circumstances determinations when we issue our final determination in the less-than-fair-value investigation, which is due to be made no later than June 19, 2000.

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination.

This notice is published pursuant to section 777(i) of the Act.

Dated: May 17, 2000.

Troy H. Cribb,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00–13097 Filed 5–24–00; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX B

HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject:	Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe and Tube from the Czech Republic, Japan, Mexico, Romania, and South Africa
Invs. Nos.:	731-TA-846-850 (F)
Date and Time:	May 4, 2000 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room, 500 E Street, SW, Washington, DC.

Congressional appearance:

The Honorable Phil English, U.S. Congressman, 21st District, State of Pennsylvania

In Support of the Imposition of Antidumping Duties:

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, DC
on behalf of

Petitioner Companies

Paul J. Wilhelm, President, U.S. Steel Group (a unit of USX Corp.)

James C. Hill, President and CEO, Vision Metals Inc.

Gary F. Gajdzik, General Manager for Tubular Products,
U.S. Steel Group (a unit of USX Corp.)

Martin Leland, National Sales Manager, Tubular Products Division,
U.S. Steel Group (a unit of USX Corp.)

Michael E. Ramsey, Sales Manager, Tubular Products,
Koppel Steel Corporation

Larry Binder, Product Manager, Red Man Pipe & Supply, Incorporated

John Schoaf, Executive Vice President, Sooner Supply

Jim Durham, President, Dixie Pipe Sales, Incorporated

Randall Edwards, Manager, Inside Sales, Grant Prideco, L.P.

In Support of the Imposition of Antidumping Duties--Continued:

David L. Weigel, General Manager, TCA Products, Grant Prideco, L.P.

Teresa Merrill, Attorney, United Steelworkers of America

Seth T. Kaplan, Vice President, Charles River Associates, Incorporated

David Riker, Senior Associate, Charles River Associates, Incorporated

John J. Mangan)
Stephen J. Narkin)
)–OF COUNSEL
Jamie L. Boucher)
Holly A. Gimbel)

In Opposition to the Imposition of Antidumping Duties:

PANEL 1 (Large Diameter)

White & Case LLP
Washington, DC
on behalf of

Tubos de Acero de Mexico, SA ("TAMSA")

Guillermo Moreno, Export Director, TAMSA

J. Malcolm Gray, President, Microalloying International Incorporated

Robert Ferguson, Chief Financial Officer, Siderca Corporation

David P. Houlihan)
Gregory J. Spak)–OF COUNSEL
Lyle B. Vander Schaaf)

Wilmer, Cutler & Pickering
Washington, DC
on behalf of

Kawasaki Steel Corporation
Nippon Steel Corporation
NKK Corporation
Sumitomo Metal Industries, Limited

John D. Greenwald)
)–OF COUNSEL
Leonard M. Shambon)

In Opposition to the Imposition of Antidumping Duties-Continued:

PANEL 2 (Small Diameter)

Baker & McKenzie
Washington, DC
on behalf of

MC Tubular Products, Incorporated ("MC Tubular")

Mike Christopher, General Manager, Specialty Pipe and Tube

Thomas Peele–OF COUNSEL

Miller & Chevalier
Washington, DC
on behalf of

Iscor Limited

John G. Reilly, Vice President, Nathan Associates, Incorporated

Matthew M. Nolan–OF COUNSEL

Wilmer, Cutler & Pickering
Washington, DC
on behalf of

Kawasaki Steel Corporation
Nippon Steel Corporation
NKK Corporation
Sumitomo Metal Industries, Limited

Martin Prager, Executive Director, The Materials Properties Council

Ralph Lawrence, Purchasing Manager, Radnor Alloys

John D. Greenwald)
)–OF COUNSEL
Leonard M. Shambon)

In Opposition to the Imposition of Antidumping Duties-Continued:

PANEL 2–Continued (Small Diameter)

Arent Fox Kintner Plotkin & Kahn, PLLC
Washington, DC
on behalf of

Silcotub, S.A.
Petrotub, S.A.
Metal Business International, S.r.l.
Sota Communication Company

John M. Gurley–OF COUNSEL

Webster, Chamberlain & Bean
Washington, DC
on behalf of

American Boiler Manufacturers Association ("ABMA")

Jim A. Polfer–OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Small diameter pipe: Summary data concerning the U.S. market, 1997-99

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

	Reported data			Period changes		
Item	1997	1998	1999	1997-99	1997-98	1998-99
U.S. consumption quantity:						
Amount	267,927	226,841	152,502	-43.1	-15.3	-32.8
Producers' share (1)	67.8	54.9	69.3	1.5	-12.9	14.4
Importers' share (1):						
Czech Republic	***	***	***	***	***	***
Japan	5.6	15.0	12.3	6.7	9.4	-2.7
Romania	***	***	***	***	***	***
South Africa	***	***	***	***	***	***
Subtotal	21.8	35.8	23.8	2.0	13.9	-12.0
Other sources	10.4	9.4	6.9	-3.5	-1.0	-2.4
Total imports	32.2	45.1	30.7	-1.5	12.9	-14.4
U.S. consumption value:						
Amount	197,800	171,587	108,357	-45.2	-13.3	-36.9
Producers' share (1)	69.0	57.3	70.5	1.5	-11.7	13.2
Importers' share (1):						
Czech Republic	***	***	***	***	***	***
Japan	7.2	16.3	11.9	4.7	9.1	-4.4
Romania	***	***	***	***	***	***
South Africa	***	***	***	***	***	***
Subtotal	21.1	33.1	22.1	0.9	11.9	-11.0
Other sources	9.9	9.7	7.4	-2.5	-0.2	-2.2
Total imports	31.0	42.7	29.5	-1.5	11.7	-13.2
U.S. shipments of imports from:						
Czech Republic:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Japan:						
Quantity	14,999	34,059	18,709	24.7	127.1	-45.1
Value	14,272	27,977	12,935	-9.4	96.0	-53.8
Unit value	$951.54	$821.43	$691.40	-27.3	-13.7	-15.8
Ending inventory quantity	***	***	***	***	***	***
Romania:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
South Africa:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Subtotal:						
Quantity	58,497	81,121	36,270	-38.0	38.7	-55.3
Value	41,786	56,732	23,911	-42.8	35.8	-57.9
Unit value	$714.33	$699.35	$659.26	-7.7	-2.1	-5.7
Ending inventory quantity	***	***	***	***	***	***
Other sources:						
Quantity	27,903	21,272	10,586	-62.1	-23.8	-50.2
Value	19,590	16,612	8,053	-58.9	-15.2	-51.5
Unit value	$702.05	$780.95	$760.78	8.4	11.2	-2.6
Ending inventory quantity	***	***	***	***	***	***
All sources:						
Quantity	86,400	102,393	46,856	-45.8	18.5	-54.2
Value	61,376	73,344	31,965	-47.9	19.5	-56.4
Unit value	$710.36	$716.30	$682.20	-4.0	0.8	-4.8
Ending inventory quantity	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued
Small diameter pipe: Summary data concerning the U.S. market, 1997-99

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

	Reported data			Period changes		
Item	1997	1998	1999	1997-99	1997-98	1998-99
U.S. producers':						
Average capacity quantity	***	***	***	***	***	***
Production quantity	184,113	124,548	112,313	-39.0	-32.4	-9.8
Capacity utilization (1)	***	***	***	***	***	***
U.S. shipments:						
Quantity	181,527	124,448	105,646	-41.8	-31.4	-15.1
Value	136,424	98,243	76,392	-44.0	-28.0	-22.2
Unit value	$751.54	$789.43	$723.09	-3.8	5.0	-8.4
Export shipments:						
Quantity	1,192	3,478	844	-29.2	191.8	-75.7
Value	855	2,377	457	-46.5	178.0	-80.8
Unit value	$717.28	$683.44	$541.47	-24.5	-4.7	-20.8
Ending inventory quantity	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***
Production workers	354	288	303	-14.4	-18.6	5.2
Hours worked (1,000s)	711	537	587	-17.4	-24.5	9.5
Wages paid ($1,000s)	14,041	10,084	11,200	-20.2	-28.2	11.1
Hourly wages	$19.75	$18.80	$19.07	-3.4	-4.8	1.5
Productivity (tons per 1,000 hours)	258.9	232.1	191.3	-26.1	-10.3	-17.6
Unit labor costs	$76.26	$80.97	$99.72	30.8	6.2	23.2
Net sales:						
Quantity	182,719	127,926	106,491	-41.7	-30.0	-16.8
Value	137,275	100,616	76,835	-44.0	-26.7	-23.6
Unit value	$751.29	$786.52	$721.52	-4.0	4.7	-8.3
Cost of goods sold (COGS)	113,606	86,178	80,594	-29.1	-24.1	-6.5
Gross profit or (loss)	23,669	14,438	(3,759)	(2)	-39.0	(2)
SG&A expenses	9,068	7,566	7,033	-22.4	-16.6	-7.0
Operating income or (loss)	14,601	6,872	(10,792)	(2)	-52.9	(2)
Capital expenditures	5,114	30,767	15,485	202.8	501.6	-49.7
Unit COGS	$621.75	$673.66	$756.82	21.7	8.3	12.3
Unit SG&A expenses	$49.63	$59.14	$66.04	33.1	19.2	11.7
Unit operating income or (loss)	$79.91	$53.72	($101.34)	(2)	-32.8	(2)
COGS/sales (1)	82.8	85.7	104.9	22.1	2.9	19.2
Operating income or (loss)/ sales (1)	10.6	6.8	(14.0)	-24.7	-3.8	-20.9

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2
Large diameter pipe: Summary data concerning the U.S. market, 1997-99

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

	Reported data			Period changes		
Item	1997	1998	1999	1997-99	1997-98	1998-99
U.S. consumption quantity:						
Amount	375,084	365,028	293,151	-21.8	-2.7	-19.7
Producers' share (1)	***	***	***	***	***	***
Importers' share (1):						
Japan	7.7	11.8	17.0	9.3	4.1	5.2
Mexico	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. consumption value:						
Amount	247,190	241,755	167,556	-32.2	-2.2	-30.7
Producers' share (1)	***	***	***	***	***	***
Importers' share (1):						
Japan	9.6	14.4	17.4	7.8	4.8	3.0
Mexico	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. shipments of imports from:						
Japan:						
Quantity	28,725	42,897	49,727	73.1	49.3	15.9
Value	23,655	34,724	29,156	23.3	46.8	-16.0
Unit value	$823.50	$809.47	$586.33	-28.8	-1.7	-27.6
Ending inventory quantity	***	***	***	***	***	***
Mexico:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Subtotal:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Other sources:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
All sources:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***

Table continued on next page.

Table C-2--Continued
Large diameter pipe: Summary data concerning the U.S. market, 1997-99

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Table C-3
Small diameter carbon pipe: Summary data concerning the U.S. market, 1997-99

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Table C-4
Small diameter alloy pipe: Summary data concerning the U.S. market, 1997-99

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Table C-5
Small and large diameter pipe: Summary data concerning the U.S. market, 1997-99

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Table C-6
Small and large diameter carbon pipe: Summary data concerning the U.S. market, 1997-99

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APPENDIX D

COMPAS PRESENTATION

ASSUMPTIONS

The COMPAS model is a supply and demand model that assumes domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the discussion contained in Part II of this report, the staff selects a range of estimates that represent price-supply, price-demand, and product-substitution relationships (i.e., supply elasticity, demand elasticity, and substitution elasticity) in the U.S. large and small diameter pipe market. The model uses these estimates with data on market shares, Commerce's estimated margins of dumping, transportation costs, and current tariffs to analyze the likely effect of unfair pricing of subject imports on the U.S. domestic like product industry.

FINDINGS

Estimated effects of the LTFV imports on the U.S. large diameter pipe industry are as follows: *** percent to *** percent reduction in revenue, *** percent to *** percent reduction in output, and *** to *** percent reduction in price. Estimated effects of the LTFV imports on the U.S. small diameter pipe industry are as follows: 10.4 percent to 22.0 percent reduction in revenue, 7.0 percent to 15.2 percent reduction in output, and 2.4 to 7.5 percent reduction in price. Estimated effects by country are shown in the following tabulation and, in detail, on the following pages.

Country and size	Reduction in revenue	Reduction in output	Reduction in price
Japan large	7.6 to 17.4	5.1 to 12.0	1.6 to 6.2
Mexico large	***	***	***
Total large	***	***	***
Czech small	***	***	***
Japan small	7.8 to 11.9	5.3 to 8.1	1.8 to 4.1
Romania small	***	***	***
South Africa small	***	***	***
Total small	**10.4 to 22.0**	**7.0 to 15.2**	**2.4 to 7.5**

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APPENDIX E

ADDITIONAL TRADE-RELATED INFORMATION

Table E-1
Small diameter pipe: Capacity, production, and capacity utilization for all products manufactured on equipment used to produce subject pipe, 1997-99

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Table E-2
Large diameter pipe: Capacity, production, and capacity utilization for all products manufactured on equipment used to produce subject pipe, 1997-99

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Table E-3
Small diameter pipe: U.S. shipments of domestic and imported alloy product, by grade, 1999

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Table E-4
Large diameter pipe: U.S. shipments of domestic and imported alloy product, by grade, 1999

* * * * * * *

Table E-5
Small diameter pipe: U.S. imports for consumption, by selected sources and total, 1997-99

Source	1997	1998	1999
Volume (*short tons*)			
Romania	43,077	38,200	13,217
Japan	32,966	62,002	45,933
Germany	15,745	25,554	18,520
France	12,897	8,288	7,547
Canada	11,661	12,993	7,001
Brazil	5,537	4,400	2,191
Argentina	5,173	9,801	4,537
Czech Rep.	5,107	7,212	5,698
South Africa	3,947	10,422	3,913
Italy	2,998	5,452	2,583
Total, all sources	148,107	212,485	130,309
Value (*$1,000*)			
Romania	25,722	21,286	7,110
Japan	45,471	73,626	52,165
Germany	23,452	35,689	29,997
France	11,350	8,173	8,670
Canada	11,518	13,160	7,507
Brazil	5,580	4,154	2,778
Argentina	5,326	10,808	4,964
Czech Rep.	4,325	3,664	3,112
South Africa	2,216	5,601	1,929
Italy	3,194	6,143	2,726
Total, all sources	147,556	211,017	139,059

Note: Data in this table may include nonsubject imports such as mechanical and structural tubing.

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

APPENDIX F

ALLEGED EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of small diameter pipe from the Czech Republic, Japan, Romania, or South Africa, or imports of large diameter pipe from Japan or Mexico, on their return on investment or their growth, investment, ability to raise capital, and existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or their scale of capital investments undertaken as a result of such imports. The responses are as follows:

Actual Negative Effects

* * * * * * *

Anticipated Negative Effects

* * * * * * *