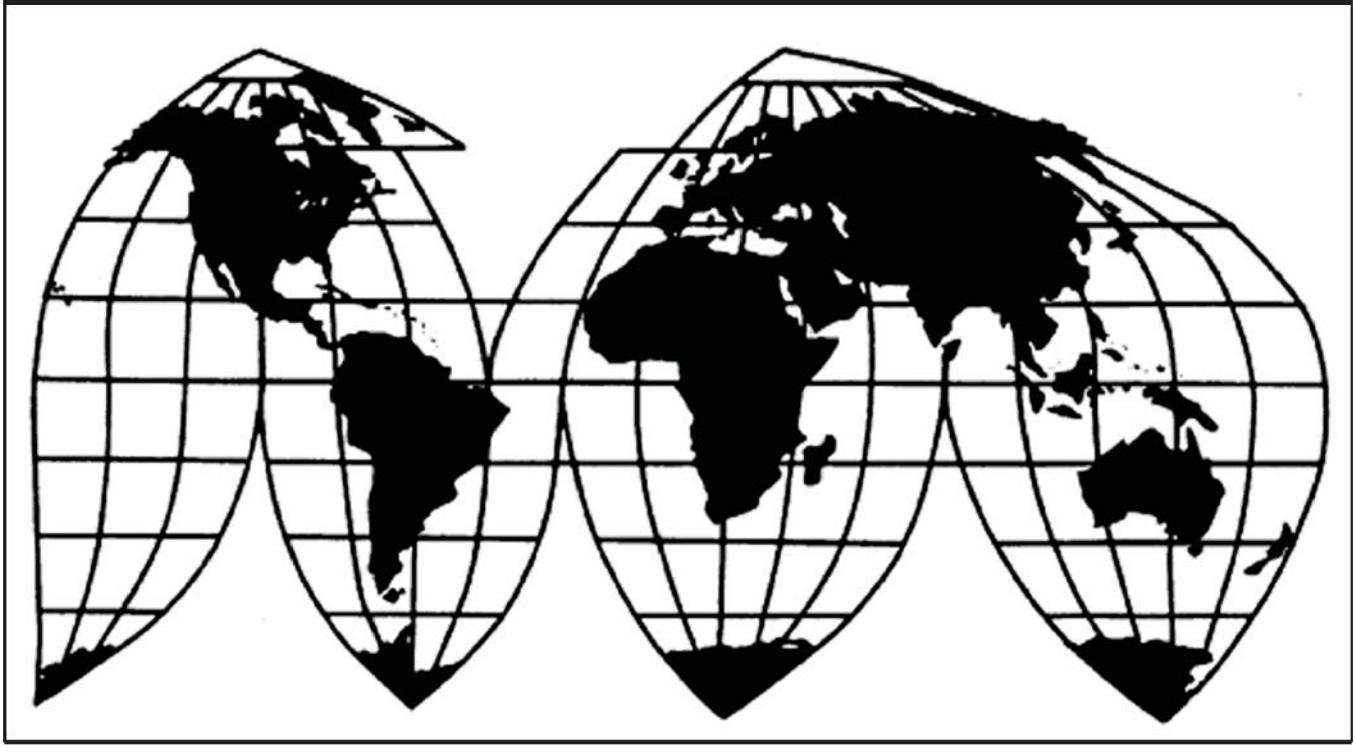
Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey

Investigation Nos. 701-TA-539 and 731-TA-1280-1282 (Final)

Publication 4633 **September 2016**

U.S. International Trade Commission



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-539 and 731-TA-1280-1282 (Final)

Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes
from Korea, Mexico, and Turkey

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that an industry in the United States is materially injured by reason of imports of heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey, provided for in subheadings 7306.61.10 and 7316.61.30 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce ("Commerce") to be sold in the United States at less than fair value ("LTFV"), and that have been found by Commerce to be subsidized by the government of Turkey.[2]

BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Act (19 U.S.C. 1671d(b) and 19 U.S.C. 1673d(b)), instituted these investigations effective July 21, 2015, following receipt of a petition filed with the Commission and Commerce by Atlas Tube, a division of Zekelman Industries, Inc. (Chicago, Illinois); Bull Moose Tube Company (Chesterfield, Missouri); EXLTUBE (North Kansas City, Missouri); Hannibal Industries, Inc. (Los Angeles, California); Independence Tube Corporation (Chicago, Illinois); Maruichi American Corporation (Santa Fe Springs, California); Searing Industries (Rancho Cucamonga, California); Southland Tube (Birmingham, Alabama); and Vest, Inc. (Los Angeles, California). The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of heavy walled rectangular welded carbon steel pipes and tubes from Turkey were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and that imports of heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey were sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase 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* on March 15, 2016 (81 FR 13820). The hearing was held in Washington, DC, on July 14, 2016, and all persons who requested the opportunity were permitted to appear in person or by counsel.

[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 Meredith M. Broadbent and F. Scott Kieff dissenting.

Views of the Commission

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of heavy walled rectangular welded carbon steel pipes and tubes ("HWR") from Korea, Mexico, and Turkey found by the U.S. Department of Commerce ("Commerce") to be sold in the United States at less than fair value and imports of HWR from Turkey found by Commerce to be subsidized by the government of Turkey.[1]

I. Background

The petitioners are Atlas Tube ("Atlas"), Bull Moose Tube Company ("Bull Moose"), EXLTUBE, Hannibal Industries, Inc., Independence Tube Corporation ("Independence Tube"), Maruichi American Corporation, Searing Industries ("Searing"), Southland Tube, and Vest, Inc., all domestic producers of HWR.[2] The petitioning firms appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs.

Two respondent groups participated actively in the final phase of these investigations. Representatives and counsel for Maquilacero S.A. de C.V. ("Maquilacero"); Regiomontana de Perfiles y Tubos, S.A. de C.V.; Perfiles y Herrajes L.M., S.A. de C.V.; Productos Laminados de Monterrey S.A. de C.V. ("Prolamsa"); and Forza Steel, producers of subject merchandise in Mexico (collectively "Mexican Respondents"), appeared at the hearing and jointly submitted prehearing and posthearing briefs, as did representatives and counsel for Ozdemir Boru Profil Sanayi ve Ticaret Limited Sirket ("Ozdemir"); the Istanbul Minerals and Metal Exporters Association and its members; and the Turkish Steel Exporters' Association and its members, producers and exporters of subject merchandise in Turkey (collectively "Turkish Respondents").

Data Coverage. U.S. industry data are based on questionnaire responses from 14 domestic producers that accounted for virtually all domestic production of HWR in 2015.[3] U.S. import data are based on official Commerce import statistics and from questionnaire responses of 36 U.S. importers of HWR, which in 2015 accounted for 62.5 percent of subject imports from Korea, 97.2 percent of subject imports from Mexico, and 79.8 percent of subject imports from Turkey.[4] The Commission received usable questionnaire responses from one producer of subject merchandise in Korea that accounted for *** percent of U.S. imports of HWR from Korea in 2015; eight producers of subject merchandise in Mexico that accounted for 97.2 percent of U.S. imports of HWR from Mexico in 2015; and three producers of subject

[1] Commissioners Broadbent and Kieff determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of subject imports of HWR from Korea, Mexico, and Turkey. *See* their Dissenting Views. They join sections I-V.B. of this opinion.

[2] Confidential Report ("CR") at I-1; Public Report ("PR") at I-1. EXLTUBE is not a petitioner in the antidumping investigation of HWR from Mexico. CR/PR at Table III-1 note.

[3] CR at I-6; PR at I-5.

[4] CR at I-7; PR at I-5.

merchandise in Turkey that accounted for 61.5 percent of U.S. imports of HWR from Turkey in 2015.[5]

II. Domestic Like Product

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the "domestic like product" and the "industry."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole 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."[7] In turn, the Tariff 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."[8]

The decision regarding the appropriate domestic like product 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.[9] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[10] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[11] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized or

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[5] CR at VII-3, VII-9, VII-17; PR at VII-3, VII-7, VII-12.

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

[9] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors, including the following: (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).

[10] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[11] *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; *see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

sold at less than fair value,[12] the Commission determines what domestic product is like the imported articles Commerce has identified.[13]

B. Product Description

Commerce defined the scope of the imported merchandise under investigation as follows:

> The products covered by this investigation are certain heavy walled rectangular welded steel pipes and tubes of rectangular (including square) cross section, having a nominal wall thickness of not less than 4 mm. The merchandise includes, but is not limited to, the American Society for Testing and Materials (ASTM) A-500, grade B specifications, or comparable domestic or foreign specifications.
>
> Included products are those in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements below exceeds the quantity, by weight, respectively indicated:
>
> - 2.50 percent of manganese, or
> - 3.30 percent of silicon, or
> - 1.50 percent of copper, or
> - 1.50 percent of aluminum, or
> - 1.25 percent of chromium, or
> - 0.30 percent of cobalt, or
> - 0.40 percent of lead, or
> - 2.0 percent of nickel, or
> - 0.30 percent of tungsten, or
> - 0.80 percent of molybdenum, or
> - 0.10 percent of niobium (also called columbium), or
> - 0.30 percent of vanadium, or
> - 0.30 percent of zirconium.

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[12] *See*, *e.g., USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[13] *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations in which Commerce found five classes or kinds).

> The subject merchandise is currently provided for in item 7306.61.1000 of the Harmonized Tariff Schedule of the United States (HTSUS). Subject merchandise may also enter under HTSUS 7306.61.3000. While the HTSUS subheadings and ASTM specification are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.[14]

These investigations concern rectangular (including square) welded carbon steel tubing having a wall thickness of 4 mm or greater. Although square and rectangular tubing of any outside dimensions is within the scope definition, HWR is commonly supplied in rectangular cross sections ranging from 3 by 2 inches to 20 by 12 inches and in squares ranging from 1.5 to 20 inches. HWR is used for support for construction or load-bearing purposes in construction, transportation, farm, and material handling equipment. HWR is generally manufactured to ASTM specification A 500, grade B.[15]

C. Arguments of the Parties

Petitioners argue that the Commission should continue to define the domestic like product as HWR, coextensive with the scope, as it did in the preliminary determinations.[16] Turkish Respondents state that they have no objection to the definition of the domestic like product the Commission adopted in the preliminary determinations. Mexican Respondents have not taken a position on the definition of the domestic like product.[17]

D. Domestic Like Product Analysis

In the preliminary determinations, the Commission defined a single domestic like product consisting of all HWR within the scope of the investigations. It found that all HWR products share the same general physical characteristics and uses, acknowledging that HWR products can differ in terms of size and shape, and those differences can dictate different end uses. It stated that most HWR is produced domestically in the same facilities using the same production processes and employees, although smaller-sized HWR is typically produced in separate production facilities. The Commission found that all HWR is sold through the same channels of distribution, and that HWR products produced to the same specifications are interchangeable in the same end-use applications. It stated that customers and producers perceive HWR as structural tubular products in a range of sizes and wall thicknesses suitable for use in construction and original equipment manufacturer ("OEM") applications. It found that

[14] *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From Mexico: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 47352, 47353 (Jul. 21, 2016).

[15] CR at I-15; PR at I-12.

[16] Petitioners' Prehearing Brief at 36-38.

[17] Hearing Transcript ("Hearing Tr.") at 163 (Nolan, Gurley); Turkish Respondents' Prehearing Brief at 7.

prices per foot for HWR products generally increase incrementally with wall thickness and size.[18]

The Commission found that there were more similarities than differences within the range of HWR products, with no clear dividing line separating the range of HWR products into discrete product groupings. Noting that no respondent party disputed petitioners' proposed definition of a single domestic like product, the Commission defined a single domestic like product that was coextensive with Commerce's scope of the investigations.[19]

The record in the final phase of these investigations does not contain new information that would lead us to revisit our like product analysis,[20] and no party argued that the Commission should adopt a definition of the domestic like product that is different from that in the preliminary determinations. Therefore, for the reasons set forth in the preliminary determinations, we define a single domestic like product consisting of HWR, coextensive with the scope of the investigations.

III. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole 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."[21] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[22] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[23]

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[18] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey*, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary), USITC Pub. 4563 at 7-8 (Sept. 2015).

[19] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey*, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary), USITC Pub. 4563 at 8 (Sept. 2015).

[20] *See generally* CR at I-15 to I-19, PR at I-12 to I-15; CR/PR at Appendix F.

[21] 19 U.S.C. § 1677(4)(A).

[22] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem*., 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[23] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;
(Continued...)

In the preliminary determinations, the Commission found that there were no related parties, and defined the domestic industry as all domestic producers of HWR.[24] In the final phase of these investigations, no party has argued that any domestic producer should be excluded as a related party.[25] One U.S. HWR producer has a corporate affiliation with a Mexican HWR producer and a U.S. importer of subject merchandise. U.S. producer Axis Pipe and Tube ("Axis") is a member of the same corporate group as Mexican producer Prolamsa and U.S. importer Prolamsa Inc.[26] Consequently, Axis is a related party under 19 U.S.C. § 1677(4)(B)(ii)(III).[27]

We next consider whether appropriate circumstances exist to exclude Axis from the domestic industry. Prolamsa exported *** short tons of HWR to the United States in 2013, *** short tons in 2014, *** short tons in 2015, *** short tons in interim 2015, and *** short tons in interim 2016.[28] Prolamsa's share of total Mexican HWR exports to the United States was approximately *** percent in 2015.[29]

(…Continued)

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); *see also Torrington Co. v. United States*, 790 F. Supp. at 1168.

[24] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey*, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary), USITC Pub. 4563 at 8 and n.33. (Sept. 2015).

[25] *See* Petitioners' Prehearing Brief at 38-39; Turkish Respondents' Prehearing Brief at 7. No party specifically addressed whether Axis Pipe and Tube should be excluded. *Id.*

[26] CR/PR at Table III-3.

[27] U.S. producer *** purchased subject imports from Mexico during the January 2013-March 2016 period of investigation ("POI"), purchasing *** short tons of HWR in 2013, *** short tons in 2014, *** short tons in 2015, *** short tons in January-March ("interim") 2015, and *** short tons in interim 2016. CR/PR at Table III-8. The Commission has previously concluded that a purchaser may be treated as a related party if it controls large volumes of subject imports. The Commission has found such control to exist when the domestic producer was responsible for a predominant proportion of an importer's purchases and these purchases were substantial. *See Foundry Coke from China*, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 at 8-9 (Sept. 2001). *** 2015 purchases of HWR from Mexico from importers *** amounted to *** percent of these firms' imports of HWR from Mexico that year. CR/PR at Table III-8 n.2. Accordingly, the record indicates that *** did not control a sufficiently large volume of subject imports to qualify as a related party.

[28] ***. U.S. importer Prolamsa Inc. reported ***. ***.

[29] CR/PR at Table VII-5.

Axis ***.[30] Axis produced *** short tons of HWR in 2013, *** short tons in 2014, *** short tons in 2015, *** short tons in interim 2015, and *** short tons in interim 2016.[31] Its share of U.S. production was *** percent in 2015, making it the *** largest of the 14 reporting U.S. producers that year.[32] The data above indicate that Axis's domestic production of HWR increased throughout the POI. During the POI, Axis made *** investments of over $*** in its U.S. production facilities.[33] Axis's ratio of operating income to net sales was *** than the industry average in 2014, 2015, interim 2015, and interim 2016, with Axis ***.[34] Axis's *** financial results appear to reflect the startup of its facility in Bryan, Texas, which began production in 2014.[35] Axis's level of investment and its increased production during the POI indicate its interest in domestic production. In light of this, and the absence of argument by any party for Axis's exclusion as a related party, we find that appropriate circumstances do not exist to exclude Axis from the domestic industry.

Consequently, we define the domestic industry to include all domestic producers of HWR.

[30] CR/PR at Table III-1 note; ***.

[31] ***.

[32] CR/PR at Table III-1.

[33] Axis's capital expenditures were $*** in 2013, $*** in 2014, and $*** in 2015. They were $*** in interim 2015 and $*** in interim 2016. ***.

[34] CR/PR at Table VI-2.

[35] CR/PR at Table III-3.

IV. Cumulation[36]

For purposes of evaluating the volume and effects for a determination of material injury by reason of subject imports, section 771(7)(G)(i) of the Tariff 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 the domestic like product in the U.S. market. In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

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

[36] Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)). The statute further provides that subject imports from a single country which comprise less than 3 percent of total such imports of the product may not be considered negligible if there are several countries subject to investigation with negligible imports and the sum of such imports from all those countries collectively accounts for more than 7 percent of the volume of all such merchandise imported into the United States. 19 U.S.C. § 1677(24)(A)(ii). In the case of countervailing duty investigations involving developing countries (as designated by the United States Trade Representative), the statute indicates that the negligibility limits are 4 percent and 9 percent, rather than 3 percent and 7 percent. 19 U.S.C. § 1677(24)(B).

Official U.S. import statistics and *** show that during July 2014 to June 2015, the 12-month period preceding the filing of the petitions, subject imports from Korea accounted for 19.2 percent of total imports of HWR by quantity, subject imports from Mexico accounted for 13.1 percent of total imports of HWR by quantity, imports from Turkey subject to Commerce's affirmative countervailing duty determination accounted for 14.2 percent of total imports of HWR by quantity, and imports from Turkey subject to Commerce's affirmative antidumping duty determination accounted for *** percent of total imports of HWR by quantity. CR/PR at Table IV-3. (Imports from Turkish producer/exporter Ozdemir are subject to Commerce's affirmative countervailing duty determination, but are not subject to Commerce's affirmative antidumping duty determination, because Commerce determined a *de minimis* dumping margin for Ozdemir. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 47355, 47356 (Jul. 21, 2016).) Because subject imports in each investigation are well above the statutory negligibility threshold, we find that subject imports from each country are not negligible.

(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.[37]

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.[38] Only a "reasonable overlap" of competition is required.[39]

In its preliminary determinations, the Commission found that there was a reasonable overlap of competition between and among the subject imports from Korea, Mexico, and Turkey and the domestic like product, and therefore cumulated subject imports from all three subject countries.[40]

A. Arguments of the Parties

Petitioners argue that imports from all three subject countries should be cumulated, maintaining that the Commission's analysis in the preliminary determinations continues to be applicable.[41] Mexican Respondents argue that subject imports from Mexico should not be cumulated with subject imports from Korea and Turkey, stating that competition is attenuated between subject imports from Mexico and the domestic like product and imports from the other two subject countries. They acknowledge that subject imports from Mexico were present in the U.S. market throughout the POI, but argue that the record shows differences in fungibility, channels of distribution, and geographic presence that demonstrate a lack of overlap of competition between subject imports from Mexico, on the one hand, and subject

[37] *See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. 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).

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

[39] The Statement of Administrative Action (SAA) to the Uruguay Round Agreements Act (URAA), 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." H.R. Rep. No. 103-316, Vol. I at 848 (1994) (*citing Fundicao Tupy, S.A. v. United States*, 678 F. Supp. at 902; *see Goss Graphic Sys., Inc. v. United States*, 33 F. Supp. 2d 1082, 1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); *Wieland Werke, AG*, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[40] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey*, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary), USITC Pub. 4563 at 10-12 (Sept. 2015).

[41] Petitioners' Prehearing Brief at 24-27; Petitioners' Posthearing Brief at A-8, A-19 (responses to Chairman Williamson).

imports from Korea and Turkey, and the domestic like product, on the other.[42] Turkish Respondents have not made any arguments regarding cumulation for the Commission's analysis of material injury.

B. Analysis

We consider subject imports from Korea, Mexico, and Turkey on a cumulated basis, because the statutory criteria for cumulation appear to be satisfied. As an initial matter, petitioners filed the antidumping and countervailing duty petitions with respect to all three countries on the same day, July 21, 2015.[43] [44]

Fungibility. The record indicates that there is a high degree of substitutability between subject imports from Korea, Mexico, and Turkey, and between subject imports from each source and the domestic like product.[45] Most responding domestic producers, importers, and purchasers reported that subject imports from Korea, Mexico, and Turkey are always or frequently used interchangeably with each other and with the domestic like product.[46] When asked whether differences other than price are ever significant to purchasers in choosing between HWR produced in Korea, Mexico, Turkey, and the United States, most responding domestic producers reported "never" and most responding importers and purchasers reported either "sometimes" or "never."[47] Majorities or pluralities of purchasers reported that subject imports from Mexico were comparable to the domestic like product in 12 out of 15 non-price factors, comparable to subject imports from Korea in 13 of these 15 factors, and comparable to subject imports from Turkey in 13 of these 15 factors.[48] Contrary to the claims of Mexican Respondents, majorities or pluralities of purchasers found subject imports from Mexico comparable to the domestic like product and imports from other subject sources with respect to delivery terms and reliability of supply.[49] We also observe that substantial quantities of the

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[42] Mexican Respondents' Prehearing Brief at 43-50; Mexican Respondents' Posthearing Brief, Exh. 2, at 1-4 (response to Commissioner Kieff).

[43] None of the statutory exceptions to cumulation applies.

[44] We observe that these investigations involve dumping findings covering imports from three subject countries (which do not involve all in-scope imports from Turkey) and subsidy findings covering only imports from Turkey. We have previously explained why we are continuing our long-standing practice of cross-cumulating dumped and subsidized imports. *See Polyethylene Terephthalate Resin from Canada, China, India, and Oman*, Inv. Nos. 701-TA-531-532 and 731-TA-1270-1273 (Final), USITC Pub. 4604 at 9-11 (Apr. 2016).

[45] CR at II-23 to II-24; PR at II-17; Hearing Tr. at 32 (Muth); 42 (Snyder).

[46] CR/PR at Table II-13.

[47] CR/PR at Table II-15. A greater proportion of importers than purchasers reported "sometimes" or "never" to this inquiry. *Id.*

[48] CR/PR at Table II-12.

[49] CR/PR at Table II-12. Responses on the factors of availability (seven out of 16 purchasers found the U.S. and Mexican products comparable, five of 11 found the Mexican and Korean products comparable, and two out of the five found the Mexican and Turkish products comparable) and delivery times (three of 16 purchasers found the U.S. and Mexican products comparable, four of 11 found the (Continued...)

domestic like product and imports from each of the three subject countries were reported for at least three of the five pricing products, and that sales of subject imports from Mexico were reported for all five pricing products.[50] This rebuts the Mexican Respondents' arguments that subject imports from Mexico are sold in distinct sizes. Consequently, the record does not support the contentions of Mexican Respondents concerning lack of fungibility of subject imports from Mexico with subject imports from Korea and Turkey and the domestic like product.

Channels of Distribution. Subject imports from Korea, Turkey, and Mexico and the domestic like product were all sold mainly to distributors.[51]

Geographic Overlap. The record indicates that HWR from each source generally served a nationwide market during the period of investigation, with some exceptions. Subject imports from Korea were not sold in the Midwest or "other" U.S. markets and subject imports from Mexico were not sold in the Northeast or "other" U.S. markets, while the domestic like product and subject imports from Turkey were sold in each geographic market area in the United States.[52] The domestic like product and imports from all three subject countries were present in the Southeast, Central Southwest, Mountain, and Pacific Coast regions of the United States.[53] Notwithstanding Mexican Respondents' arguments, the record indicates a significant geographic overlap among and between the domestic like product and imports from each subject country.

Simultaneous Presence in Market. HWR products from all sources were simultaneously present in the U.S. market, given that subject imports from Korea, Mexico, and Turkey entered the United States in nearly every month of the POI.[54] The only exception was March 2016, when subject imports from Korea and Turkey did not enter the United States.[55]

Conclusion. Because the relevant antidumping duty petitions and countervailing duty petition were filed on the same day, and the record indicates that there is a reasonable overlap of competition between and among subject imports and the domestic like product, we analyze subject imports from Korea, Mexico, and Turkey on a cumulated basis for our analysis of whether there is material injury by reason of subject imports. As explained above, Mexican Respondents' arguments about distinctions between subject imports from Mexico and the domestic like product or imports from other subject sources either lack record support or fail to demonstrate lack of a reasonable overlap of competition.

(…Continued)
Mexican and Korean products comparable, and two of five found the Mexican and Turkish products comparable) were more mixed. *Id*.

[50] CR/PR at Tables V-4 through V-6.

[51] CR at II-2, PR at II-2; CR/PR at Table II-1.

[52] CR/PR at Table II-2. The category of "other" U.S. markets includes Alaska, Hawaii, Puerto Rico, and the Virgin Islands. *Id.*

[53] CR/PR at Table II-2.

[54] CR/PR at Table IV-5.

[55] CR/PR at Table IV-5.

V. Material Injury by Reason of Subject Imports

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of HWR from Korea, Mexico, and Turkey that Commerce has found to be sold in the United States at less than fair value, and by imports of subject merchandise from Turkey that Commerce has found to be subsidized by the government of Turkey.

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[56] In making this determination, the Commission must consider the volume of 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]

Although the statute requires the Commission to determine whether the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[61] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[62] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic

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[56] 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

[57] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[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. §§ 1671d(a), 1673d(a).

[62] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g,* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[63]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[64] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[65] Nor does

[63] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[64] SAA at 851-52 ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[65] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n,* 266 F.3d at 1345 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some (Continued...)

the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[66] It is clear that the existence of injury caused by other factors does not compel a negative determination.[67]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[68] [69] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[70]

(…Continued)
tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[66] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[67] *See Nippon Steel Corp*., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[68] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 792 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[69] Commissioners Pinkert and Kieff do not join this paragraph or the following three paragraphs. They point out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when analyzing present material injury, to consider a particular issue with respect to the role of nonsubject imports, without reliance upon presumptions or rigid formulas. The Court has not prescribed a specific method of exposition for this consideration. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[70] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

The Federal Circuit's decisions in *Gerald Metals, Bratsk*, and *Mittal Steel* all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[71] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[72] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals, Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[73]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[74] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[75]

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[71] *Mittal Steel*, 542 F.3d at 875-79.

[72] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[73] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[74] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[75] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

1. Demand Considerations

Demand for HWR is driven by nonresidential construction activity and to a lesser extent by manufacture of agricultural, construction, and other equipment.[76] The public information in the record shows, and the parties agree, that demand for agricultural equipment declined in 2015.[77] The parties also agree that demand in the nonresidential construction sector increased over the period of investigation.[78]

Market participants had mixed responses regarding trends in U.S. demand since January 2013, with a plurality of U.S. producers reporting that U.S. demand had increased, while a plurality of importers reported that U.S. demand had fluctuated, and a majority of purchasers reported that U.S. demand had fluctuated or decreased.[79]

Apparent U.S. consumption declined by 2.1 percent from 2013 to 2015. It was 2.0 million short tons in 2013, increased to 2.1 million short tons in 2014, and then declined to 2.0 million short tons in 2015.[80]

The parties provided different explanations for the decline in apparent U.S. consumption between 2014 and 2015. Petitioners assert that any decline in demand between 2014 and 2015 was limited to the OEM segment, particularly the agricultural equipment sector, as purchasers such as John Deere significantly reduced their orders for HWR in 2015, while demand in the much larger nonresidential construction segment continued to increase in 2015.[81] Respondents state that the decline in apparent U.S. consumption between 2014 and 2015 correlates with and was caused by a decline in raw material costs during that period, as

[76] CR at II-1, II-14; PR at II-1, II-10; Hearing Tr. at 32, 33, 59 (Muth).

[77] CR at II-16; PR at II-12; CR/PR at Figure II-3. Petitioners' Posthearing Brief at 5, A-22 (response to Commissioner Johanson); Mexican Respondents' Posthearing Brief, Exh. 1, at 6-7 (response to Commissioner Johanson); Turkish Respondents' Posthearing Brief at Exh. 1 (joining in response of Mexican Respondents); Hearing Tr. at 48 (Werner). Respondents argue that this 2015-2016 downturn in the agricultural sector came after several years of very strong performance in that sector. *See* Mexican Respondents' Posthearing Brief, Exh. 1, at 6-8 (response to Commissioner Johanson).

[78] Petitioners' Posthearing Brief at 5; Hearing Tr. at 33, 60 (Muth); Mexican Respondents' Final Comments at 8, CR/PR at Figure II-1.

[79] CR/PR at Table II-5.

[80] CR/PR at Tables IV-6, C-1. Apparent U.S. consumption was 515,200 short tons in interim 2015 and 511,159 short tons in interim 2016. *Id.*

[81] Petitioners' Posthearing Brief at 5, A-22 (response to Commissioner Johanson); Hearing Tr. at 33, 60 (Muth), 48 (Werner). Petitioners and Turkish Respondents agree that OEMs such as John Deere generally do not purchase subject imports, and that most OEMs only buy from U.S. producers or Canadian suppliers. Hearing Tr. at 161-162, 192 (Nolan); 161 (Gurley); Petitioners' Posthearing Brief at 5.

purchasers holding HWR inventories deferred purchasing more HWR while raw material costs and HWR prices were declining.[82]

2. Supply Considerations

During the period of investigation, the U.S. market for HWR was primarily supplied by the domestic industry, with subject imports and nonsubject imports supplying smaller portions of the market. The domestic industry's U.S. shipments as a share of apparent U.S. consumption declined from 82.4 percent in 2013 to 79.2 percent in 2014, and then to 78.6 percent in 2015.[83]

Several U.S. producers reported opening new HWR plants during the period of investigation. Axis opened a new HWR facility in Bryan, Texas in late 2014.[84] Independence Tube had a new manufacturing facility in Trinity, Alabama begin operations in December 2014.[85] Searing opened a new HWR mill in Cheyenne, Wyoming in December 2014.[86] Atlas Tube closed a facility in Blytheville, Arkansas in April 2015, after having phased down production at that facility between 2013 and April 2015.[87] Notwithstanding these developments, the domestic industry's overall capacity was relatively stable during the POI, declining by 3.3 percent from 2013 to 2015.[88]

Cumulated subject imports as a share of apparent U.S. consumption increased from 8.6 percent in 2013 to 10.5 percent in 2014, and then declined to 8.1 percent in 2015.[89] Nonsubject imports as a share of apparent U.S. consumption increased from 9.0 percent in 2013 to 10.3 percent in 2014, and then to 13.3 percent in 2015.[90]

The largest source of nonsubject imports during the POI was Canada.[91] *** domestic producers are related to HWR producers in Canada. U.S. producer Atlas and its affiliated Canadian producer Atlas Tube Canada ULC have a common parent.[92] In addition, ***.[93] As Atlas reduced production in the Blytheville, Arkansas facility that it ultimately closed in April

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[82] Mexican Respondents' Prehearing Brief at 10-11; Turkish Respondents' Prehearing Brief at 4-5; Hearing Tr. at 131-132 (Nolan).

[83] CR/PR at Table IV-7. The domestic industry's share of apparent U.S. consumption was 77.1 percent in interim 2015 and 81.7 percent in interim 2016. *Id*.

[84] CR/PR at Table III-3.

[85] CR/PR at Table III-3; Hearing Tr. at 36 (Werner).

[86] CR/PR at Table III-3; Hearing Tr. at 43-44 (Searing).

[87] CR/PR at Table III-3; Hearing Tr. at 32, 46 (Muth).

[88] Capacity declined from 2.8 million short tons in 2013 to 2.7 million short tons in 2014 and 2015. CR/PR at Tables III-4, C-1. Capacity was 662,306 short tons in interim 2015 and 680,787 short tons in interim 2016. *Id.*

[89] CR/PR at Table IV-7. The subject import share of apparent U.S. consumption was 10.7 percent in interim 2015 and 4.1 percent in interim 2016. *Id*.

[90] CR/PR at Table IV-7. The nonsubject import share of apparent U.S. consumption was 12.2 percent in interim 2015 and 14.2 percent in interim 2016. *Id.*

[91] CR/PR at Table IV-6.

[92] CR at III-3; PR at III-3.

[93] CR/PR at Table III-4 note.

2015, it increased production at its other facilities, including increasing production and U.S. imports from the Canadian facility of its affiliate, Atlas Tube Canada ULC.[94]

3. Substitutability and Other Conditions

The record indicates that there is a high degree of substitutability between subject imports and the domestic like product.[95] Most responding domestic producers reported that subject imports from Korea, Mexico, and Turkey are "always" used interchangeably with each other and with the domestic like product, while most reporting importers and purchasers responded that subject imports from each source are "always" or "frequently" used interchangeably with each other and with the domestic like product.[96] As discussed in section IV.B. above, majorities or pluralities of purchasers found products from different sources comparable in most non-price factors.[97]

We further find that price is an important factor in purchasing decisions in the HWR market.[98] When asked whether differences other than price are ever significant to purchasers in choosing between HWR produced in Korea, Mexico, Turkey, and the United States, most responding domestic producers reported "never" and most responding importers and purchasers reported either "sometimes" or "never."[99]

The record indicates that HWR is expensive to ship over land.[100] U.S. producers reported that their U.S. inland transportation costs ranged from 1 percent to 15 percent of their total costs, with an average of 7.8 percent, while responding importers reported that their inland transportation costs ranged from 3 percent to 10 percent of their total delivered cost, with an average of 5.4 percent.[101]

Another condition of competition relevant to our analysis is the high share of the domestic industry's cost of goods sold ("COGS") represented by hot-rolled steel, which is the principal raw material used in the production of HWR. The domestic industry's raw material cost as a share of its total COGS declined from 84.2 percent in 2013 to 81.3 percent in 2015, and was 77.5 percent in interim 2016.[102] The price of hot-rolled steel coil fluctuated during the POI, declining from $*** per short ton in January 2013 to $*** per short ton in December 2015, a decline of *** percent, but then increasing in interim 2016.[103] [104]

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[94] Hearing Tr. at 46 (Muth).

[95] CR at II-23 to II-24; PR at II-17.

[96] CR/PR at Table II-13.

[97] CR/PR at Table II-12.

[98] Hearing Tr. at 32 (Muth); 42 (Snyder).

[99] CR/PR at Table II-15. A greater proportion of importers than purchasers reported "sometimes" or "never" to this inquiry.

[100] *See* Hearing Tr. at 109-111 (McManus).

[101] CR at II-5 to II-6, V-8 to V-9; PR at II-4, V-5.

[102] CR at V-1; PR at V-1.

[103] CR at V-1; PR at V-1; CR/PR at Figure V-1.

[104] Commissioners Broadbent and Kieff have made negative determinations and do not join the remainder of this opinion. *See* their Dissenting Views.

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff 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."[105]

The volume of cumulated subject imports increased from 171,935 short tons in 2013 to 219,042 short tons in 2014, and then declined to 159,123 short tons in 2015. While the volume of subject imports increased by 27.4 percent between 2013 and 2014, it declined by 7.5 percent overall between 2013 and 2015.[106]

Subject imports as a share of apparent U.S. consumption increased from 8.6 percent in 2013 to 10.5 percent in 2014, and then declined to 8.1 percent in 2015.[107] Subject imports took market share from the domestic industry between 2013 and 2014, during which subject imports gained 1.9 percentage points in market share, while the domestic industry lost 3.2 percentage points in market share. Subject import market share declined in 2015, while the domestic industry's market share remained relatively stable but did not return to its 2013 level.[108]

The volume and market share of subject imports were substantially lower in interim 2016, following the filing of the petitions, than in interim 2015. The volume of subject imports was 55,116 short tons in interim 2015 and 20,976 short tons in interim 2016.[109] The subject import share of apparent U.S. consumption was 10.7 percent in interim 2015 and 4.1 percent in interim 2016.[110] We find that the decline in the volume and market share of subject imports in interim 2016 was a result of the pendency of these investigations.[111] We therefore reduce the weight we are according to subject import volume and pricing for interim 2016, pursuant to 19 U.S.C. § 1677(7)(I).

We find that the volume of cumulated subject imports is significant, both in absolute terms and relative to consumption in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether

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[105] 19 U.S.C. § 1677(7)(C)(i).

[106] CR/PR at Tables IV-6, C-1.

[107] CR/PR at Table IV-7.

[108] CR/PR at Table IV-7.

[109] CR/PR at Tables IV-6, C-1.

[110] CR/PR at Table IV-7.

[111] As previously discussed, the petitions in these investigations were filed on July 21, 2015. The Commission issued its preliminary determinations on September 4, 2015. Commerce issued its preliminary determination in the countervailing duty investigation on imports from Turkey on December 28, 2015, and issued its preliminary determinations in the antidumping duty investigations on imports from Korea, Mexico and Turkey on March 1, 2016. CR at I-2; PR at I-2.

> (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.[112]

As previously discussed, the record indicates that there is a high degree of substitutability between subject imports and the domestic like product and that price is an important consideration in purchasing decisions.

Thirteen U.S. producers and 19 importers of subject merchandise from Korea, Mexico, and Turkey provided usable pricing data for sales of five products, although not all firms reported pricing for all products for all quarters.[113] In 2015, reported pricing data accounted for approximately 12.1 percent of the value of U.S. producers' U.S. commercial shipments, 27.6 percent of the value of U.S. commercial shipments of subject imports from Korea, *** percent of the value of U.S. commercial shipments of subject imports from Mexico, and *** percent of the value of U.S. commercial shipments of subject imports from Turkey.[114]

These data show that, during the period 2013 to 2015, cumulated subject imports undersold the domestic like product in 149 of 170 quarterly comparisons, or 87.6 percent of the time, by margins ranging from 0.4 to 23.1 percent, and an average margin of underselling of 10.1 percent. There were 15,141,970 feet of cumulated subject import shipments involved in underselling comparisons during this period, which were substantially more than the 1,602,038 feet of cumulated subject import shipments involved in overselling comparisons.[115] Given the high degree of substitutability between subject imports and the domestic like product and the importance of price in purchasing decisions, we find underselling by the cumulated subject imports to be significant.[116] This underselling facilitated the growth in subject import volumes

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[112] 19 U.S.C. § 1677(7)(C)(ii).

[113] CR at V-13; PR at V-9. All five pricing products are described as ASTM A 500 Grade B, but they are in different sizes. Products 1 through 4 all have a wall thickness of 0.25 inch and length of 20 feet or more, but product 1 is 2 inch square, product 2 is 3 inch square, product 3 is 4 inch square, and product 4 is 6 inch square. Product 5 has a wall thickness of 0.5 inch and length of 20 feet or more, and is 8 inch square. CR at V-12; PR at V-8.

[114] CR at V-13; PR at V-9.

[115] CR/PR at Tables V-4 through V-8, V-10.

[116] We do not agree with respondents that the observed underselling simply reflects domestic producers being able to charge a price premium because of lower inland transportation costs and shorter lead times than those for subject imports. Turkish Respondents' Posthearing Brief at 4-5; Mexican Respondents' Posthearing Brief, Exh. 1, at 5-6 (response to Commissioner Pinkert); Mexican Respondents' Prehearing Brief at 26. We find that the average margin of underselling by subject imports of 10.1 percent for the 2013 to 2015 period stated above is too high to be explained by any such price premium for domestically produced product. We further disagree with Mexican Respondents' characterization of an average margin of underselling by subject imports of ten percent as (Continued...)

from 2013 to 2014, when the cumulated subject imports took market share from the domestic industry.

Purchasers' responses to the Commission's lost sales/lost revenues survey provide further evidence that underselling by subject imports resulted in the domestic industry losing sales and market share. Twelve responding purchasers reported that since 2013 they had shifted purchases of HWR from the domestic industry to subject imports, and ten of those twelve purchasers reported that price was the primary reason for the shift.[117]

We further find that the subject imports help explain price movements for the domestic like product from 2013 to 2015. While low-priced subject imports were gaining market share at the expense of the domestic industry through underselling from 2013 to 2014, U.S. producers' prices declined, and prices were lower for each of the five pricing products in the fourth quarter of 2014 than in the first quarter.[118] By contrast, the domestic industry's net sales average unit value ("AUV") increased, but by a smaller amount than its raw material costs. While the domestic industry's raw material costs increased by $35 per short ton (from $618 per short ton in 2013 to $653 per short ton in 2014), its net sales AUV only increased by $29 per short ton (from $854 per short ton in 2013 to $883 per short ton in 2014).[119] Accordingly, the "spread" between the domestic industry's net sales AUV and its raw material cost per unit declined to the industry's disadvantage from $236 per short ton in 2013 to $230 per short ton in 2014.[120]

Thus, even during a period when apparent U.S. consumption was increasing by 4.4 percent,[121] the domestic industry was unable to charge prices sufficient to cover its increased raw material costs, creating a cost-price squeeze for the industry. In the absence of the predominantly undersold subject imports, and given favorable demand conditions as well as the inelastic aggregate U.S. demand,[122] the domestic industry should have been able to cover

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(…Continued)
"comparatively low." Mexican Respondents' Prehearing Brief at 26; Hearing Tr. at 125, 180-181 (Noonan).

[117] CR at V-27; PR at V-18; CR/PR at Tables V-12, V-13. For example, purchaser *** reported shifting purchases from the domestic industry to subject imports from *** in the amount of *** short tons because of price. CR/PR at Table V-11.

[118] From the first quarter to the fourth quarter of 2014, U.S. producers' prices declined by 5.3 percent for product 1; 3.8 percent for product 2; 5.4 percent for product 3; 6.1 percent for product 4; and 1.4 percent for product 5. CR/PR at Tables V-4 through V-8.

[119] CR/PR at Table VI-1. The domestic industry's average COGS also increased by more than its net sales AUV, growing by $33 per short ton (from $734 per short ton in 2013 to $767 per short ton in 2014). *Id.*

[120] The CEO of domestic producer Bull Moose testified that the "spread per ton" is a key indicator of industry performance, and maintaining a consistent margin per ton is essential to industry profitability. Hearing Tr. at 98-99 (Blatz).

[121] Apparent U.S. consumption increased from 2.0 million short tons in 2013 to 2.1 million short tons in 2014, an increase of 4.4 percent. CR/PR at Table C-1.

[122] Aggregate demand for HWR products is generally inelastic, experiencing small-to-moderate changes in response to changes in price, due to the limited range of substitute products, and the small-to-moderate cost share of HWR in most of its end-use applications. CR at II-14, II-38; PR at II-10, II-28.

those increases with increases in average prices. It was manifestly unable to do so. Information supplied by petitioners demonstrates that U.S. producers tried to pass on their increased raw material costs to the customers during that period, but were largely unsuccessful.[123] [124]

U.S. producers' prices declined in 2015 as domestic producers sought to preserve sales and market share in response to their loss of market share to low-priced subject imports in 2014.[125] Indeed, prices for each of the five domestically produced pricing products were lower in the fourth quarter of 2015 than in the first quarter of 2015.[126] The decline in U.S. producers' prices cannot be explained fully by declines in raw material costs and/or declines in apparent consumption, since between 2014 and 2015 the domestic industry's net sales AUV declined by a greater amount than did its raw material costs, and, although apparent U.S. consumption dropped back in 2015 to a level comparable to its 2013 level,[127] the spread between the domestic industry's net sales AUV and its raw material costs was $29 per short ton lower in 2015 than in 2013.[128] Year over year, the domestic industry's net sales AUV in 2015 declined by $163 per short ton from 2014, and its raw material costs declined by only $140 per short ton from 2014, which reduced the spread by $23 per short ton.[129]

Purchasers' responses to the Commission's lost sales/lost revenues survey also provide evidence that the domestic industry reduced prices to compete with subject imports, with eight purchasers reporting that U.S. producers had reduced prices to compete with lower-priced imports from subject countries.[130]

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[123] Petitioners' Posthearing Brief at A-14 to A-18, and Exh. 5 (press reports regarding HWR pricing); Exh. 6 (pricing information from ***); Exh. 7 (pricing information from ***).

[124] Commissioner Schmidtlein finds that the tightening of the spread between the net sales AUV and the industry's raw material costs and the industry's inability to cover the increased costs even as apparent U.S. consumption improved in 2014 compared to 2013, support a finding that domestic prices were suppressed.

[125] Hearing Tr. at 36-37 (Werner); 39-40 (Blatz); 42 (Snyder); 44 (Searing).

[126] From the first quarter to the fourth quarter of 2015, U.S. producers' prices declined by 23.0 percent for product 1; 22.5 percent for product 2; 24.0 percent for product 3; 24.4 percent for product 4; and 22.3 percent for product 5. CR/PR at Tables V-4 through V-8.

[127] After increasing from 2.0 million short tons in 2013 to 2.1 million short tons in 2014, apparent U.S. consumption declined back down to 2.0 million short tons in 2015, and was 2.1 percent lower in 2015 than in 2013. CR/PR at Table C-1.

[128] In 2013, the domestic industry's net sales AUV was $854 per short ton and its raw material cost was $618 per short ton, a spread of $236 per short ton. In 2015, the domestic industry's net sales AUV was $720 per short ton and its raw material cost was $513 per short ton, a spread of $207 per short ton. CR/PR at Table VI-1.

[129] The domestic industry's net sales AUV declined by $163 per short ton between 2014 and 2015, from $883 per short ton in 2014 to $720 per short ton in 2015. Its raw material cost declined by $140 per short ton, from $653 per short ton in 2014 to $513 per short ton in 2015. The domestic industry's spread was thus $230 per short ton ($883-$653) in 2014 and $207 per short ton ($720-$513) in 2015, a reduction of $23 per short ton. CR/PR at Table VI-1.

[130] CR at V-28; PR at V-18; CR/PR at Table V-13. Purchaser *** reported that U.S. producers had reduced prices by *** percent to compete with imports ***. CR/PR at Table V-13.

Further supporting our view that the magnitude of the pricing declines in 2015 would not have been as great but for the subject imports are the data for interim 2016, when subject imports had retreated from the U.S. market. There was little difference in apparent U.S. consumption between interim 2015 and interim 2016,[131] but the domestic industry's raw material costs in interim 2016 were $208 per short ton lower than in interim 2015[132] and its net sales AUV was $188 per short ton lower,[133] which increased the spread between the domestic industry's net sales AUV and its raw material costs by $20 per short ton. The spread was $202 per short ton in 2015 and $222 per short ton in 2016,[134] an increase that is readily attributable to the decline in subject import volume and market share that resulted from the pendency of the investigations.[135]

For the foregoing reasons, we find that the subject imports had significant price effects on the domestic industry, including price depression in 2015.

[131] Apparent U.S. consumption was 515,200 short tons in interim 2015 and 511,159 short tons in interim 2016. It was 0.8 percent lower in interim 2016 than in interim 2015. CR/PR at Table C-1.

[132] The domestic industry's raw material cost was $608 per short ton in interim 2015 and $400 per short ton in interim 2016, a difference of $208 per short ton. CR/PR at Table VI-1.

[133] The domestic industry's net sales AUV was $810 per short ton in interim 2015 and $622 per short ton in interim 2016, a difference of $188 per short ton. CR/PR at Table VI-1.

[134] In interim 2015, the domestic industry's net sales AUV was $810 per short ton and its raw material cost was $608 per short ton, a spread of $202 per short ton. In interim 2016, the domestic industry's net sales AUV was $622 per short ton and its raw material cost was $400 per short ton, a spread of $222 per short ton. CR/PR at Table VI-1.

[135] As previously discussed, the volume of subject imports was 55,116 short tons in interim 2015 and 20,976 short tons in interim 2016. The subject import share of apparent U.S. consumption was 10.7 percent in interim 2015 and 4.1 percent in interim 2016. CR/PR at Tables IV-6, IV-7, C-1.

E. Impact of the Subject Imports[136]

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[137] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. 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."[138]

As discussed below, the domestic industry experienced declines in most performance indicators between 2013 and 2015, but the trends in these indicators were different in 2014 and 2015. From 2013 to 2014, as increasing volumes of low-priced subject imports entered the U.S. market and took market share from the domestic industry, the industry experienced modest increases in production, capacity utilization, net sales, shipments, and revenues that were well below the 4.4 percent increase in apparent consumption, while its COGS increased at a greater rate than its sales revenues, and the industry suffered declines in operating income

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[136] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In Commerce's final determination with respect to subject imports from Korea, it found dumping margins of 2.34 percent for Dong-A-Steel Company, 3.82 percent for HiSteel Co., Ltd., and 3.24 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From the Republic of Korea: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 47347, 47348 (Jul. 21, 2016). In its final determination with respect to subject imports from Mexico, Commerce found dumping margins of 3.83 percent for Maquilacero, 5.21 percent for Prolamsa, and 4.91 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From Mexico: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 47352, 47353 (Jul. 21, 2016). In its final determination with respect to subject imports from Turkey, Commerce found dumping margins of 0.0 percent (*de minimis*) for Ozdemir, 35.66 percent for MMZ Boru Profil Uretim Sanayi Ve Tic. A.S., and 17.83 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 47355, 47356 (Jul. 21, 2016). We find it significant that the Department of Commerce found that producers in each of the subject countries are selling subject imports in the United States at less than fair value. In addition to this consideration, our impact analysis has also considered factors affecting domestic prices. Our analysis of the significant underselling of the cumulated subject imports and the effects of that underselling, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

[137] 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.").

[138] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

and operating margins.[139] In 2015, as the domestic industry lowered its prices to try to retain market share, the industry experienced declines in production, capacity utilization, net sales, shipments, and its revenues, operating income, and operating margin declined sharply.[140]

Between 2013 and 2015, the domestic industry experienced declines in capacity, production, and capacity utilization. U.S. producers' capacity declined by 3.3 percent overall from 2013 to 2015, declining from 2.8 million short tons in 2013 to 2.7 million short tons in 2014 and 2015.[141] Production declined by 10.0 percent overall from 2013 to 2015, increasing incrementally from 1.77 million short tons in 2013 to 1.80 million short tons in 2014, and then declining to 1.6 million short tons in 2015.[142] Capacity utilization increased from 64.1 percent in 2013 to 65.4 percent in 2014, and then declined to 59.6 percent in 2015.[143]

The domestic industry likewise experienced declines in net sales and U.S. shipments between 2013 and 2015. Net sales declined by 9.0 percent overall from 2013 to 2015, declining from 1.8 million short tons in 2013 and 2014 to 1.6 million short tons in 2015.[144] U.S. shipments declined by 6.6 percent overall from 2013 to 2015, declining from 1.7 million short tons in 2013 and 2014 to 1.5 million short tons in 2015.[145] U.S. producers' ending inventories declined by 5.4 percent overall from 2013 to 2015, increasing from 234,300 short tons in 2013 to 246,628 short tons in 2014 and then declining to 221,569 short tons in 2015.[146]

The domestic industry lost 3.2 percentage points of market share between 2013 and 2014, much of it to subject imports. The domestic industry's price reductions in 2015 to avoid further loss of market share to subject imports resulted in a more stable market share, which declined by 0.6 percentage points between 2014 and 2015. The domestic industry's share of apparent U.S. consumption declined from 82.4 percent in 2013 to 79.2 percent in 2014, and then to 78.6 percent in 2015.[147]

Employment indicators were generally favorable, with increases in employment, hours worked, and wages paid between 2013 and 2015, but a decline in productivity. Employment increased by 0.5 percent from 2013 to 2015, increasing from 1,115 production-related workers

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[139] CR/PR at Table C-1.

[140] CR/PR at Table C-1.

[141] CR/PR at Tables III-4, C-1. Capacity was 662,306 short tons in interim 2015 and 680,787 short tons in interim 2016. *Id.*

[142] CR/PR at Tables III-4, C-1. Production was 413,232 short tons in interim 2015 and 421,201 short tons in interim 2016. *Id.*

[143] CR/PR at Tables III-4, C-1. Capacity utilization was 62.4 percent in interim 2015 and 61.9 percent in interim 2016. *Id.*

[144] CR/PR at Tables VI-1, C-1. Net sales were 422,212 short tons in interim 2015 and 430,698 short tons in interim 2016. *Id.*

[145] CR/PR at Tables IV-6, C-1. U.S. shipments were 397,040 short tons in interim 2015 and 417,824 short tons in interim 2016. *Id.*

[146] CR/PR at Tables III-7, C-1. U.S. producers' ending inventories were 237,429 short tons in interim 2015 and 207,313 short tons in interim 2016. *Id.*

[147] CR/PR at Tables IV-7, C-1. The domestic industry's share of apparent U.S. consumption was 77.1 percent in interim 2015 and 81.7 percent in interim 2016. *Id.*

(PRWs) in 2013 to 1,190 PRWs in 2014 and then declining to 1,132 PRWs in 2015.[148] Hours worked increased by 2.6 percent from 2013 to 2015, increasing from 2.4 million hours in 2013 to 2.6 million hours in 2014, and then declining to 2.4 million hours in 2015.[149] Wages paid increased by 4.5 percent from 2013 to 2015, increasing from $67.3 million in 2013 to $74.6 million in 2014, and then declining to $70.4 million in 2015.[150] Productivity (in short tons per one thousand hours) declined by 12.2 percent from 2013 to 2015, declining from 740.5 in 2013 to 700.6 in 2014 and 649.9 in 2015.[151]

The domestic industry's financial performance deteriorated between 2013 and 2015. Net sales value declined by 23.2 percent overall from 2013 to 2015, increasing from $1.5 billion in 2013 to $1.6 billion in 2014, and then declining to $1.2 billion in 2015.[152] Total COGS declined by 21.8 percent overall from 2013 to 2015, increasing from $1.3 billion in 2013 to $1.4 billion in 2014, and then declining to $1.0 billion in 2015.[153] The industry's gross profit declined by 32.0 percent between 2013 and 2015, declining from $213.0 million in 2013 to $208.1 million in 2014 and $144.9 million in 2015.[154] Operating income declined by 51.2 percent from 2013 to 2015, declining from $139.9 million in 2013 to $117.4 million in 2014 and $68.3 million in 2015.[155] The industry's operating income margin declined from 9.2 percent in 2013 to 7.5 percent in 2014 and 5.9 percent in 2015.[156] Net income declined by 62.0 percent between 2013 and 2015, declining from $112.6 million in 2013 to $87.3 million in 2014 and $42.8 million in 2015.[157]

Capital expenditures increased from $*** in 2013 to $*** in 2014, and then declined to $*** in 2015.[158]

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[148] CR/PR at Tables III-9, C-1. Employment was 1,160 PRWs in interim 2015 and 1,125 PRWs in interim 2016. *Id.*

[149] CR/PR at Tables III-9, C-1. Hours worked were 636,000 hours in interim 2015 and 634,000 hours in interim 2016. *Id.*

[150] CR/PR at Tables III-9, C-1. Wages paid were $18.0 million in interim 2015 and $18.1 million in interim 2016. *Id.*

[151] CR/PR at Tables III-9, C-1. Productivity (in short tons per one thousand hours) was 649.7 in interim 2015 and 664.4 in interim 2016. *Id.*

[152] CR/PR at Tables VI-I, C-1. Net sales value was $341.9 million in interim 2015 and $268.0 million in interim 2016. *Id.*

[153] CR/PR at Tables VI-I, C-1. Total COGS was $308.0 million in interim 2015 and $222.2 million in interim 2016. *Id.*

[154] CR/PR at Tables VI-I, C-1. Gross profit was $33.8 million in interim 2015 and $45.8 million in interim 2016. *Id.*

[155] CR/PR at Tables VI-I, C-1. Operating income was $11.5 million in interim 2015 and $22.4 million in interim 2016. *Id.*

[156] CR/PR at Tables VI-I, C-1. The operating income margin was 3.4 percent interim 2015 and 8.3 percent in interim 2016. *Id.*

[157] CR/PR at Tables VI-I, C-1. Net income was $4.2 million in interim 2015 and $15.1 million in interim 2016. *Id.*

[158] CR/PR at Table VI-4. Capital expenditures were $*** in interim 2015 and $*** in interim 2016. *Id.* Research and development expenses were $*** in 2013, $*** in 2014, and $*** in 2015. They were $*** in interim 2015 and $*** in interim 2016. *Id.*

As previously discussed, increased volumes of low-priced subject imports caused the domestic industry to lose market share between 2013 and 2014. As a result, even though the domestic industry's output increased, the increases in production, sales, shipments, and revenues in 2014 were lower than they would have been otherwise, given the increase in apparent U.S. consumption in 2014.[159] Moreover, as previously discussed, as a result of low-priced subject imports, the domestic industry was unable to charge prices in 2014 that were sufficient to cover its increased raw material costs, creating a cost-price squeeze for the industry. From 2013 to 2014, the industry's COGS increased by 4.9 percent, and its COGS-to-net-sales ratio increased from 85.9 percent to 86.8 percent.[160] From 2013 to 2014 the domestic industry's operating income declined by 16.1 percent, and its operating margin declined from 9.2 percent to 7.5 percent.[161]

In 2015, in response to the market share lost to low-priced subject imports in 2014, the domestic industry cut its prices in an effort to retain market share.[162] However, the accompanying depression in the domestic industry's prices[163] resulted in a 26.1 decline in its revenues from 2014 to 2015.[164] As subject import competition led to its AUVs declining more rapidly than its costs, the domestic industry incurred a 41.8 percent decline in its operating income from $117.4 million in 2014 to $68.3 million in 2015, and a corresponding decline in its operating margin from 7.5 percent to 5.9 percent.[165] We accordingly find that the significant volume of cumulated subject imports, which significantly undersold the domestic like product, and caused market share declines in 2014 and price depression in 2015, had a significant impact on the domestic industry.

We disagree with respondents' argument that there is a lack of correlation between subject import volumes and domestic industry performance.[166] This argument disregards the fact that the domestic industry experienced adverse effects from subject imports in both 2014 and 2015, although these effects differed in nature in those two years. In 2014, as low-priced subject imports took market share from the domestic industry, the industry's production and sales increased slightly as demand rose, but those increases were more modest than the increase in U.S. demand because of the increased volume of low-priced subject imports.

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[159] In 2014, while U.S. apparent consumption increased by 4.4 percent, the domestic industry's production increased by 1.6 percent, its U.S. shipments increased by 0.3 percent, its net sales increased by 0.5 percent, and its revenues increased by 3.9 percent. CR/PR at Table C-1.

[160] CR/PR at Table C-1.

[161] CR/PR at Table C-1.

[162] Hearing Tr. at 36-37 (Werner); 39-40 (Blatz); 42 (Snyder); 44 (Searing).

[163] As previously discussed, U.S. producers' prices for each of the five pricing products declined by over 22.0 percent between the first quarter of 2015 and the fourth quarter of 2015, and the domestic industry's net sales AUV declined from 2014 to 2015 by $163 per short ton, which was substantially greater than the $140 per short ton decline in its raw material costs. CR/PR at Tables V-4 through V-8, VI-1.

[164] CR/PR at Table C-1.

[165] CR/PR at Table C-1.

[166] Respondents assert that subject import volumes increased only in 2014, while the domestic industry's financial performance was weakest in 2015. Mexican Respondents' Prehearing Brief at 17.

Moreover, as a result of underselling by subject imports, in 2014 the domestic industry was unable to charge prices sufficient to cover increasing raw material costs, and its profitability declined. In 2015, the domestic industry competed with subject imports aggressively on price in order to prevent further market share losses to subject imports, which caused price depression, substantially reduced revenues, and sharply declining profitability.

We also disagree with respondents' assertion that the decline in subject import market share in the first half of 2015 before the petitions were filed was a voluntary response to a decline in U.S. demand rather than a response to the domestic industry's reduction in prices.[167] As the parties agree, the one end-use sector of the U.S. HWR market in which the record shows that there was a substantial decline in demand for HWR in 2015 was the agricultural equipment OEM sector, including companies such as John Deere.[168] The parties further agree that subject imports generally do not compete with the domestic industry in that sector.[169] In light of the information in the record indicating that the demand decline in 2015 was focused on a sector where subject import competition was limited, we find that the more persuasive explanation for the reduction in the presence of subject imports in the U.S. market in the first half of 2015 was the more aggressive pricing by the domestic industry during that period.

In our analysis of the impact of subject imports on the domestic industry, we have taken into account whether there are other factors that may have had an adverse impact on the domestic industry during the POI to ensure that we are not attributing injury from other factors to the subject imports. Respondents have argued that the decline in the price of hot-rolled steel coil, the principal raw material for HWR, during the POI was responsible for any declines in domestic producers' prices and any adverse price effects on the domestic industry.[170] However, as we have already discussed, the difference between the domestic industry's net sales AUVs and its raw material cost per unit moved in an unfavorable direction in both 2014 and 2015. There was a substantial reduction in the domestic industry's "spread per ton" in each year, from $236 per short ton in 2013 to $230 per short ton in 2014, and then to $207 per short ton in 2015.[171] Thus, changes in raw material costs cannot explain a substantial portion of

[167] Mexican Respondents' Prehearing Brief at 18; Hearing Tr. at 140-141 (Nolan). The Commission observed in the preliminary investigations that the market share of subject imports was lower in the first half of 2015 (before the petitions were filed) than in the first half of 2014. *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey*, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary), USITC Pub. 4563 at 18 (Sept. 2015).

[168] CR at II-16; PR at II-12; CR/PR at Figure II-3. Petitioners' Posthearing Brief at 5, A-22 (response to Commissioner Johanson); Mexican Respondents' Posthearing Brief, Exh. 1, at 6-7 (response to Commissioner Johanson); Turkish Respondents' Posthearing Brief at Exh. 1 (joining in response of Mexican Respondents); Hearing Tr. at 48 (Werner). A representative of U.S. producer Independence Tube testified that it is John Deere's largest supplier of HWR, and that John Deere's purchases of HWR in 2015 were less than half of its purchases in 2014. Hearing Tr. at 48 (Werner).

[169] Hearing Tr. at 161-162, 192 (Nolan); Hearing Tr. at 161 (Gurley); Petitioners' Posthearing Brief at 5.

[170] Mexican Respondents' Prehearing Brief at 21-26; Mexican Respondents' Posthearing Brief at 8.

[171] CR/PR at Table VI-1.

the decline in the domestic industry's prices in 2015. By contrast, in interim 2016, after subject imports had retreated from the U.S. market as a result of the pendency of these investigations, the "spread per ton" between the domestic industry's net sales AUV and its raw material cost per unit was higher than it was in interim 2015: $222 per short ton in interim 2016, as compared to $202 per short ton in interim 2015.[172] Thus, the record indicates that the presence of low-priced subject imports in the market had a significant effect on U.S. producers' prices independent of any effect from raw material costs.

Respondents also argue that hot-rolled steel prices also had a significant adverse effect on demand for HWR, asserting that purchasers maintaining HWR inventories deferred purchasing while the price of hot-rolled steel coil was declining, given the possibility of future price declines.[173] While declining hot-rolled steel coil prices may have affected the purchasing decisions of some HWR purchasers, the record indicates that a majority of responding HWR purchasers reported that expected changes in the cost of hot-rolled steel did not affect how much HWR they purchased or the amount of HWR they held in inventory.[174] Moreover, the limited information from those purchasers that indicated that they may defer purchasing HWR when hot-rolled steel coil prices are declining indicates that this deferral may be limited to a period of one to two weeks, limiting the effect of any such deferral.[175]

Respondents further argue that U.S. HWR producers holding inventories of hot-rolled steel coil were caught in a "margin squeeze" during the POI when hot-rolled coil steel prices declined, which was the principal cause of any decline in the domestic industry's profitability during the POI.[176] However, the record indicates that during the POI, U.S. producers typically kept ***.[177]

We also find unconvincing respondents' argument that the decline in the domestic industry's financial performance was attributable to increases in 2015 in the ratios to net sales of "other factory costs" and selling and general administrative (SG&A) expense, and therefore was not attributable to subject imports.[178] Respondents assert that the increase in the ratio of other factory costs to net sales from 9.0 percent in 2013 to 10.6 percent in 2015 explains most of the decline in the domestic industry's operating margin in 2015.[179] This argument overlooks the fact that other factory costs declined in absolute terms during each calendar year of the

[172] CR/PR at Table VI-1.

[173] Mexican Respondents' Prehearing Brief at 13-17.

[174] CR at V-7 to V-8; PR at V-4 to V-5.

[175] CR at V-7 n.16; PR at V-5 n.16.

[176] Mexican Respondents' Prehearing Brief at 9, 23-26; Mexican Respondents' Final Comments at 7; Hearing Tr. at 123-124 (Noonan).

[177] Petitioners' Posthearing Brief at 10-11 and Exh. 2 (information from Independence Tube on effects of inventory valuation changes on its profitability); Hearing Tr. at 37 (Werner).

[178] Mexican Respondents' Prehearing Brief at 30-32; Mexican Respondents' Final Comments at 7.

[179] CR/PR at Table VI-1. The ratio of other factory costs to net sales was 9.0 percent in 2013, 8.2 percent in 2014, and 10.6 percent in 2015. It was 9.9 percent in interim 2015 and 12.0 percent in interim 2016. *Id.* Respondents state that ***. Mexican Respondents' Final Comments at 7.

POI,[180] and also declined on a unit basis overall between 2013 and 2015.[181] Given the absolute decline in other factory costs throughout the POI, and the fact that these costs were at their lowest level in 2015, we conclude that an increase in other factory costs as a ratio to net sales in 2015 does not negate the effect of subject imports on the domestic industry's profitability. Similarly, while the ratio of SG&A expenses to net sales increased over the POI,[182] in absolute terms SG&A expense declined between 2014 and 2015 when the domestic industry experienced its largest decline in operating income.[183] Moreover, increases in the ratio of other factory costs and SG&A expense to net sales in 2015 while those indicators were declining in absolute terms reflect that the "net sales" denominator was substantially lower in 2015 as the domestic industry lowered its prices in response to subject import competition, so these increases are attributable at least in part to the effects of subject imports.[184] Furthermore, any "increases" in other factory costs or SG&A expenses as a ratio to net sales cannot explain the domestic industry's lost market share in 2014 or the sharp decline in its prices between 2014 and 2015.

We have also considered the role of nonsubject imports in these investigations. The market share of nonsubject imports increased from 9.0 percent in 2013 to 10.3 percent in 2014, and then to 13.3 percent in 2015. The market share of nonsubject imports was 12.2 percent in interim 2015 and 14.2 percent in interim 2016.[185] The largest source of nonsubject imports during the POI was Canada.[186] We acknowledge that the Commission's pricing data indicate that nonsubject imports from Canada were generally priced below the domestic like product.[187] [188]

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[180] Other factory costs were $135.9 million in 2013, $129.3 million in 2014, and $122.9 million in 2015. They were $33.7 million in interim 2015 and $32.2 million in interim 2016. CR/PR at Table VI-1.

[181] On a unit value basis, other factory costs declined from $77 per short ton in 2013 to $73 per short ton in 2014, and then increased to $76 per short ton in 2015. They were $80 per short ton in interim 2015 and $75 per short ton in interim 2016. CR/PR at Table VI-1.

[182] CR/PR at Table VI-1. The ratio of SG&A expense to net sales increased from 4.8 percent in 2013 to 5.8 percent in 2014 and 6.6 percent in 2015. It was 6.5 percent in interim 2015 and 8.8 percent in interim 2016. *Id.*

[183] SG&A expense was $73.1 million in 2013, $90.7 million in 2014, and $76.6 million in 2015. It was $22.3 million in interim 2015 and $23.5 million in interim 2016. On a unit value basis, SG&A expense increased from $41 per short ton in 2013 to $51 per short ton in 2014, and then declined to $47 per short ton in 2015. It was $53 per short ton in interim 2015 and $55 per short ton in interim 2016. CR/PR at Table VI-1.

[184] The domestic industry's net sales value declined by 26.1 percent from 2014 to 2015. CR/PR at Table C-1.

[185] CR/PR at Table IV-7.

[186] CR/PR at Table IV-6.

[187] Two importers of nonsubject imports from Canada provided pricing data, which accounted for 6.7 percent of the value of U.S. commercial shipments from Canada in 2015. CR at D-3; PR at D-3. The pricing data indicate that nonsubject imports from Canada were priced higher than subject imports in 123 out of 148 quarterly comparisons during the POI, and were priced lower in the remaining 25 quarterly comparisons. By comparison, nonsubject imports from Canada were priced lower than the (Continued...)

Nevertheless, when subject imports retreated from the U.S. market in 2016 in response to the petitions, the market share of nonsubject imports rose above interim 2015 levels by less than did the market share of the domestic industry,[189] and the domestic industry's overall performance improved.[190] In light of the domestic industry's improved performance in interim 2016, notwithstanding the increased presence of nonsubject imports, we find that the adverse effects caused by the subject imports are distinct from any caused by the nonsubject imports. These improvements in the domestic industry's financial performance and market share also occurred notwithstanding Atlas Tube's decision to increase production at the facility of its Canadian affiliate during the POI as it phased out production at its facility in Blytheville, Arkansas, which it closed in April 2015.[191]

We therefore conclude that the cumulated subject imports have a significant impact on the domestic industry.

VI. Conclusion

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of HWR from Korea, Mexico and Turkey that are sold in the United States at less than fair value, and imports of HWR from Turkey that are subsidized by the government of Turkey.

(…Continued)
domestic like product in 42 out of 53 quarterly comparisons during the POI. CR at D-3; PR at D-3; CR/PR at Table D-6.

[188] For purposes of the *Bratsk/Mittal* analysis, Commissioner Pinkert notes that prices for nonsubject imports from Canada were generally higher than prices for subject imports, CR/PR at Appendix D, and that therefore the domestic industry would have benefited from the replacement of subject imports by nonsubject imports.

[189] The market share of the domestic industry was 4.7 percentage points higher in interim 2016 than in interim 2015, while the market share of nonsubject imports was 1.9 percentage points higher. CR/PR at Table C-1.

[190] The domestic industry's operating income was 94.0 percent higher in interim 2016, at $22.4 million, than it was in interim 2015, at $11.5 million. CR/PR at Table C-1.

[191] Hearing Tr. at 46 (Muth).

Dissenting Views of Commissioners Meredith M. Broadbent and F. Scott Kieff

Based on the record in the final phase of these investigations, we find that an industry in the United States is neither materially injured nor threatened with material injury by reason of imports of heavy walled rectangular welded carbon steel pipes and tubes ("HWR") from Korea, Mexico, and Turkey that the U.S. Department of Commerce ("Commerce") has determined are sold in the United States at less than fair value and are subsidized by the government of Turkey.

In reaching these determinations, we join and adopt sections I through V.B of the Views of the Commission concerning the background of these investigations, definition of the domestic like product and industry, cumulation, and the legal standard and conditions of competition relevant to the Commission's material injury determinations.

Our determination that there is no material injury by reason of subject imports reflects: 1) the fact that subject imports did not gain market share at the expense of the domestic industry over the period of investigation ("POI"); 2) our finding that U.S. prices declined between 2013 and 2015 primarily due to a *** percent decrease in hot-rolled steel prices,[1] not subject import underselling; 3) our finding that the domestic industry's declining output and financial performance was the result of factors other than subject imports, including a substantial increase in nonsubject imports; and 4) the lack of evidence indicating that subject imports pose an imminent threat to the domestic industry.

I. No Material Injury By Reason of Subject Imports

A. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff 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."[2]

Subject import volume increased by 27.4 percent between 2013 and 2014 and subject imports' market share rose from 8.6 percent in 2013 to 10.5 percent in 2014.[3] Between 2014 and 2015, however, subject import volume declined by 27.4 percent and market share fell to 8.1 percent.[4] Therefore, any gains made by subject imports in 2014 were completely erased by 2015. In interim 2016, the market share of subject imports was 4.1 percent.[5] The decline in subject import volume could not solely be due to the filing of these petitions, as the decline began in 2014, well before the petitions were filed in July 2015.[6] In 2015, as subject imports fell below 2013 levels both in absolute terms and as a share of apparent U.S. domestic

[1] CR/PR at V-1.
[2] 19 U.S.C. § 1677(7)(C)(i).
[3] CR/PR at Table C-1.
[4] CR/PR at Table C-1.
[5] CR/PR at Table C-1.
[6] CR/PR at Table IV-5, Figure IV-2.

consumption, the domestic industry did not gain in either shipments or market share, while nonsubject import volume increased both absolutely and as a share of apparent U.S. consumption.[7]

We find that subject import volume was significant during the POI, both in absolute terms and relative to consumption in the United States, as it accounted for a significant share of the market throughout most of the POI. We do not find the increase in subject import volume to have been significant, given that the increase, particularly in market share, was modest and brief.

B. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that 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.[8]

We find that there is a high degree of substitutability between cumulated subject imports and the domestic like product and that price is an important consideration in purchasing decisions. As explained in section V.B.3 of the Views of the Commission, which we join, all U.S. producers and most responding importers and purchasers reported that HWR produced in the United States and all three subject countries were "always" or "frequently" interchangeable with each other.[9] The majority of responding purchasers indicated that price was a "very important" purchase factor, and listed price in their top three factors used in purchasing decisions.[10]

The Commission sought quarterly pricing data for HWR in five different dimensions.[11] In most quarterly comparisons, subject imports were priced lower than the domestic like product. Subject imports undersold the domestic like product in 161 out of 182 quarterly comparisons by an average margin of 10.1 percent, and oversold the domestic like product in the remaining 21 comparisons by an average margin of 5.4 percent.[12] Subject imports that undersold the domestic like product totaled 16.0 million feet of HWR, while subject imports that oversold the domestic like product totaled 1.6 million feet of HWR.[13] While we find that underselling was

[7] CR/PR at Table C-1.
[8] 19 U.S.C. § 1677(7)(C)(ii).
[9] CR/PR at Table II-13.
[10] CR/PR at Tables II-8-9.
[11] CR at V-12; PR at V-8.
[12] CR/PR at Table V-10.
[13] CR/PR at Table V-10.

prevalent during the period of investigation, its significance is mitigated by its lack of impact on the domestic industry's market share or on prices for the domestic like product. Notwithstanding the observed significant underselling throughout the POI, subject imports declined and lost market share between 2013 and 2015.[14]

We do not find that subject imports significantly depressed U.S. prices. The record provides abundant evidence that the price of HWR is affected by changes in the price of raw materials, which accounted for between 77.5 and 84.2 percent of the cost of goods sold.[15] Producers, importers, and purchasers widely acknowledged a relationship between the price of hot-rolled steel, in particular, and the price of HWR.[16] Most U.S. producers emphasized that declines in published prices of hot-rolled steel result in immediate declines in the price of HWR, whereas increases in the price of hot-rolled steel result in a more gradual increase in the price of HWR.[17] Firms also stated that a decrease in the price of hot-rolled steel can affect the demand for HWR, as purchasers expect the price of HWR to continue to fall and are therefore willing to wait for even lower prices in order to replenish inventories.[18]

Thus, although prices for the domestic like product declined over the POI for all five pricing products, these declines in prices closely tracked those of hot-rolled steel.[19] For the five products, the decline in price over the full period was between 28.5 and 30.5 percent,[20] and decreases tended to begin in mid-to-late 2014, with the steepest declines occurring in 2015.[21] Hot-rolled steel prices fell by *** percent on an average quarterly basis over the same period.[22] U.S. prices for HWR did not increase as quickly as hot-rolled steel prices between 2013 and mid-2014, but they also did not fall as quickly as hot-rolled steel prices through the rest of the POI.[23]

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[14] CR/PR at Table C-1.

[15] CR at V-1; PR at V-1; CR/PR at Table VI-1

[16] Hearing Tr. at 90-91 (Schagrin); Hearing Tr. at 107-109 (McManus); Mexican Respondents' Prehearing Brief at 22-23, exh. 10; CR/PR at Appendix G. Most responding producers (9 of 13) and importers (17 of 24) reported that changes in the price of hot-rolled steel caused similar changes in the price of HWR tubular products. CR at V-2; PR at V-1. Most purchasers (26 of 35) also reported that the price of hot-rolled coil affected their price negotiations. CR at V-4; PR at V-2.

[17] CR/PR at Appendix G.

[18] CR at Table II-9 and V-6-7; PR at Table II-9 and V-4-5; Hearing Tr. at 178 (Stoupignan). This appears to have taken place in 2015, when hot-rolled steel prices fell by *** percent and reported purchaser inventories of HWR pipes and tubes fell by 16.2 percent. CR/PR at Table II-4 and EDIS Document No. 586093. Despite increasing demand in non-residential construction, the primary driver of demand, apparent U.S. consumption fell by 6.2 percent in 2015. CR/PR at Figure II-1 and Table C-1; CR at II-14; PR at II-10.

[19] CR/PR at Figure V-2 (showing a strong quarterly correlation between the price of hot-rolled steel and the five HWR pricing products).

[20] CR/PR at Table V-9.

[21] CR/PR at Figures V-3-7.

[22] EDIS Document No. 586093. We rely primarily on widely available price index data in determining trends in hot-rolled steel prices. Evidence on the record indicates that market participants closely follow available hot-rolled steel price indexes within the context of price negotiations. CR at V-4; G-5; PR at V-2-3; Hearing Tr. at 151 (McManus); 177-178 (Stoupignan).

[23] CR/PR at Figure V-2.

We do not find that the subject imports depressed U.S. prices to a significant degree in light of the magnitude of the decline in raw materials prices over the POI.

We also do not find that subject imports prevented price increases, which otherwise would have occurred, to a significant degree during the POI. As discussed above, prices for HWR were affected by changes in the price of hot-rolled steel, which declined sharply over the POI. In addition, apparent U.S. consumption of HWR declined by 2.1 percent between 2013 and 2015, and was 0.8 percent lower in interim 2016 than in interim 2015.[24] In light of these conditions, we do not consider it likely that U.S. prices would have increased absent subject import underselling. Although the domestic industry's ratio of cost of goods sold ("COGS") to net sales increased slightly over the period,[25] this modest increase was of an insufficient magnitude to be significant, and as discussed in greater detail in the discussion of impact below, was likely caused by factors other than subject imports. We therefore do not find significant price suppression.

Petitioners argue that the price effects experienced by the U.S. industry are observed by looking at the period of investigation in different stages. According to Petitioners, the period from 2013 to 2014 was characterized by significant subject import underselling and a corresponding increase in the market share of subject imports.[26] Petitioners assert that U.S. producers then reduced prices between the first and second quarters of 2015 in order to attempt to regain market share, and in doing so caused the decline in subject imports in 2015 while simultaneously suffering from the effects of price depression.[27]

The record does not support Petitioners' arguments. Although subject imports did gain market share in 2014, the increase in subject imports in that year was minor and temporary.[28] Subject imports declined by 14.5 percent between the peak second quarter of 2014 and the first quarter of 2015, before the point at which Petitioners claim that they instituted aggressive price cuts.[29] Rather than lowering prices to compete with subject import prices, it appears that U.S. producers decreased prices sharply in 2015 in response to changes in the price of hot-rolled steel, which was in the midst of a substantial decline. After remaining at somewhat elevated levels throughout 2014, hot-rolled steel prices fell by *** percent between the fourth quarter of 2014 and the fourth quarter of 2015.[30] Over this time, U.S. prices of HWR fell by between 27.6 percent and 31.2 percent.[31] Apparent U.S. consumption also declined between

[24] CR/PR at Table C-1.

[25] The industry's COGS/net sales ratio was 85.9 percent in 2013, 86.8 percent in 2014, 87.5 percent in 2015, 90.1 percent in interim 2015, and 82.9 percent in interim 2016. CR/PR at Table C-1.

[26] Petitioners' Posthearing Brief at 1-4; Hearing Tr. at 15 (Jameson).

[27] Petitioners' Posthearing Brief at 4-5; Hearing Tr. at 15 (Jameson).

[28] Subject imports gained only 1.9 percentage points of market share between 2013 and 2014. CR/PR at Table C-1.

[29] CR/PR at Table IV-5; Petitioners' Posthearing Brief at 4-5.

[30] EDIS Document No. 586093.

[31] CR/PR at Tables V-4-8. Petitioners also argue that the decline in subject imports during this latter part of the POI allowed U.S. producers to improve their "spread" between hot-rolled steel prices and the price of HWR. Petitioners' Prehearing Brief at 17; Hearing Tr. at 26-27; Petitioners' Hearing Exhibit Slide 10. However, if this were actually the period in which the U.S. industry "fought back" on price and (Continued...)

2014 and 2015, falling by 6.2 percent.[32] Therefore, the decline in U.S. HWR prices during the latter portion of the POI was likely caused by falling hot-rolled steel prices as well as demand, not subject imports.

In view of the foregoing, we find that the subject imports did not have the effect of depressing prices or preventing price increases that would otherwise have occurred to a significant degree. Where there are confirmed lost sales and revenues, they are of minor magnitude[33] and do not outweigh other data in the record showing the lack of significant price effects or losses of market share to subject imports. Accordingly, we do not find significant price effects by reason of subject imports.

(…Continued)
incurred a "heavy cost" – in other words, if price depression were occurring – we would expect that the spread between HWR prices and hot-rolled steel prices would narrow, as U.S. producers would be willing to sell at prices closer to their underlying costs in order to take back market share. Moreover, we note that the spread between the hot-rolled steel price and HWR prices increased most substantially between the fourth quarter of 2014 and the first quarter of 2015, coinciding with the beginning of the sharpest decline in hot-rolled steel prices. CR/PR at Figure V-1. Therefore, Petitioners' argument that the spread between hot-rolled steel and HWR prices increased in 2015 is supportive of our finding that there was no significant price depression.

[32] CR/PR at Table C-1.

[33] Over the full POI, U.S. purchasers reported shifting *** short tons of HWR purchases from U.S. producers to subject imports due to the lower price of subject imports. This volume accounted for less than one percent of apparent U.S. consumption during the POI. While eight purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from subject countries, the large majority of purchasers stated that this was not the case or that they did not know why U.S producers had reduced prices. CR/PR at Tables V-12-13.

C. Impact of the Subject Imports[34]

Section 771(7)(C)(iii) of the Tariff Act provides that when examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[35] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on assets, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. 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."[36]

Most of the industry's trade and financial indicators deteriorated over the period of investigation, while employment remained stable. However, because the subject imports did not take significant market share away from the domestic industry and did not have significant price effects, we do not find the domestic industry to be materially injured by reason of the subject imports.

Several factors combined to reduce the U.S. industry's total shipments and production over the POI. While nonresidential construction spending increased,[37] apparent U.S.

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[34] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). We note that Commerce, in its final determination with respect to subject imports from Korea, found dumping margins of 2.34 percent for Dong-A-Steel Company, 3.82 percent for HiSteel Co., Ltd., and 3.24 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From the Republic of Korea: Final Determination of Sales at Less than Fair Value*, 81 Fed. Reg. 47347, 47348 (Jul. 21, 2016). In its final determination with respect to subject imports from Mexico, Commerce found dumping margins of 3.83 percent for Maquilacero, 5.21 percent for Prolamsa, and 4.91 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From Mexico: Final Determination of Sales at Less than Fair Value*, 81 Fed. Reg. 47352, 47353 (Jul. 21, 2016). In its final determination with respect to subject imports from Turkey, Commerce found dumping margins of 0.0 percent (*de minimis*) for Ozdemir, 35.66 percent for MMZ Boru Profil Uretim Sanayi Ve Tic. A.S., and 17.73 percent for all others. *Heavy Walled Rectangular Welded Carbon Steel Pipe and Tubes From the Republic of Turkey: Final Determination of Sales at Less than Fair Value*, 81 Fed. Reg. 47355, 47356 (Jul. 21, 2016). We note that these margins are not *de minimis* and consider them in the totality of our impact analysis.

[35] 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.").

[36] 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

[37] CR/PR at Figure II-1.

consumption fell by 2.1 percent between 2013 and 2015.[38] As demand decreased, nonsubject imports increased by 44.8 percent between 2013 and 2015, and rose by an additional 14.8 percent between interim periods.[39] Nonsubject imports increased market share from 9.0 percent to 13.3 percent between 2013 and 2015, with virtually all of this increase coming at the expense of U.S. producers.[40] The domestic industry experienced a decrease in market share from 82.4 percent in 2013 to 78.6 percent in 2015.[41]

Nonsubject imports increased primarily because of an increase in imports by U.S. producer Atlas Tube from an affiliate in Canada, Atlas Tube ULC.[42] ***.[43] Atlas Tube increased production in Canada between 2014 and 2015, and decided to cease U.S. operations at its Blytheville, Arkansas plant in 2015.[44] Atlas Tube attributed its decision to shut down its Blytheville plant to pricing pressure caused by subject imports entering into ports in the South and Southwest markets.[45] However, Atlas Tube also stated that prices are transmitted nationally and are not limited to specific regions, indicating that subject imports in that region would have had a similar effect on prices for all of its shipments in the United States, including its imports.[46] Therefore, Atlas Tube's decision to increase its imports from Canada at the

[38] CR/PR at Table C-1. Apparent U.S. consumption remained steady between interim periods, declining by 0.8 percent. *Id*. The overall decline in apparent U.S. consumption was likely driven by U.S. purchasers reducing their purchases and instead drawing down inventories in reaction to a decline in hot-rolled steel prices, particularly in 2015. CR at Table II-9 and V-6-7; PR at Table II-9 and V-4-5; Hearing Tr. at 178 (Stoupignan). Reported purchaser inventories fell by a net 3.4 percent over the POI. CR/PR at Table II-4. In addition, U.S. producers reported a slowdown in demand for agricultural equipment, resulting in fewer sales to original equipment manufacturers (OEMs) producing such equipment. Hearing Tr. at 47-48, 74 (Schagrin), 102 (Jameson). Demand for agricultural equipment has declined and then remained steady at a lower level since September 2014. CR/PR at Figure II-3. U.S. producers were the primary suppliers to OEM purchasers, so a decline in demand for HWR in the agricultural equipment manufacturing market likely had a stronger adverse effect on U.S. producers' shipments than subject imports. CR at II-16; PR at II-12; CR/PR at Table II-1 (showing that U.S. producers and nonsubject imports were the only substantial suppliers to OEMs).

[39] CR/PR at Table C-1.

[40] CR/PR at Table C-1. Nonsubject imports increased market share from 12.2 percent in interim 2015 to 14.2 percent in interim 2016.

[41] CR/PR at Table C-1. U.S. producers increased market share from 77.1 percent in interim 2015 to 81.7 percent in interim 2016.

[42] CR/PR at Table C-1; Hearing Tr. at 34 (Muth), 68 (Schagrin); ***.

[43] Derived from CR/PR at Table C-1; EDIS Document No. 581509 Question II-7. .

[44] Hearing Tr. at 46 (Muth, Schagrin).

[45] Hearing Tr. at 46 (Muth).

[46] Hearing Tr. at 65 (Muth) ("And {the} last comment I'd like to make is that it is a national market. There are regional markets, but it's national information. There are national distributors. If a distributor at a national chain sees that low price import in Los Angeles or Houston, the impact is made well beyond those markets.")

expense of its own U.S. production reflects its own internal supply decisions rather than regionally focused pricing pressure that adversely affected the Blytheville plant.[47]

Petitioners further asserted that Atlas Tube's U.S. and Canadian prices were the same, and therefore Atlas Tube's decision to increase production in Canada and decrease production in the United States was not injurious in the same way that low-priced subject imports were.[48] ***,[49] but these data also demonstrate that ***.[50] Nonsubject imports from Canada, ***, undersold U.S. HWR prices in 42 quarterly comparisons representing 3.6 million short tons of imported HWR, while only overselling U.S. HWR in 11 quarterly comparisons accounting for 378,093 million short tons of imports.[51] In addition, the financial performance of ***.[52] As discussed above, we do not attribute the decline in HWR prices to the comparatively lower prices of subject imports, and similarly do not find that lower-priced nonsubject imports caused adverse price effects. Nonetheless, the ***.

As a result of the decrease in apparent U.S. consumption and the loss of market share to nonsubject imports, the domestic industry's U.S. shipments decreased by 6.6 percent between 2013 and 2015.[53] The domestic industry's export shipments also decreased by 40.6 percent between 2013 and 2015.[54] Although U.S. exports accounted for a small portion of the industry's total shipments, the decrease in exports accounted for 31.3 percent of the decline in the industry's total shipments between 2013 and 2015.[55] As U.S. shipments and export shipments decreased and the domestic industry drew down its inventories by 5.4 percent,[56] the industry's production decreased by 10.0 percent between 2013 and 2015.[57] The domestic industry's capacity slightly declined, falling by 3.3 percent from 2.8 million short tons in 2013 to

[47] Atlas Tube states that it treats the United States and Canada as "essentially one market," and Petitioners suggest an analysis that includes imports from Atlas Tube ULC along with U.S. producer shipments in the domestic industry's market share. Petitioners' Posthearing Brief at 3-4. We note that the statute expressly states that the analysis of impact – which includes, *inter alia*, evaluation of market share – shall be "only in the context of production operations within the United States." 19 U.S.C. § 1677(7)(B)(i)(III); *see* 19 U.S.C. § 1677(7)(C)(iii)(I). We therefore do not include Atlas Tube's imports from a Canadian affiliate as U.S. production, and in fact consider these imports to be an important cause of the industry's decrease in output and market share over the POI.

[48] Hearing Tr. at 46-47 (Schagrin).

[49] Petitioners' Posthearing Brief at 4.

[50] *Compare* Petitioners' Posthearing Brief at 4 *with* CR/PR at Tables V-4-V-8; Mexican Respondents' Posthearing Brief at 7, Exhibit 4. Most responding purchasers (24 of 27) reported that Atlas was a price leader. Purchasers stated that Atlas leads prices because of its size and because it announces price changes. CR at V-11; PR at V-7.

[51] CR/PR at Table D-6.

[52] CR/PR at Table VI-II. ***.

[53] CR/PR at Table C-1. U.S. producers' U.S. shipments increased by 5.2 percent between interim 2015 and interim 2016.

[54] CR/PR at Table C-1. U.S. exports fell by an additional 48.9 percent between interim periods.

[55] CR/PR at Table C-1.

[56] CR/PR at Table C-1. U.S. producers' inventories declined by 12.7 percent between interim periods.

[57] CR/PR at Table C-1. U.S. production increased by 1.9 percent between interim periods.

2.7 million short tons in 2015.[58] Capacity utilization also trended downward, falling from 64.1 percent in 2013 to 59.6 percent in 2015.[59]

The domestic industry's decline in production did not lead to lower employment of production and related workers ("PRWs"), which increased slightly from 1,115 PRWs in 2013 to 1,132 PRWs in 2015.[60] Other employment-related indicators also increased slightly, with hours worked, wages paid, and hourly wages increasing between 2013 and 2015 by 2.6 percent, 4.5 percent, and 1.9 percent, respectively.[61] By contrast, productivity declined by 12.2 percent between 2013 and 2015, as production declined while employment slightly increased.[62]

The domestic industry's financial indicators deteriorated. For the reasons discussed above, the volume of net sales decreased between 2013 and 2015 by 9.0 percent.[63] The value of net sales fell by 23.2 percent between 2013 and 2015 as a result of fewer sales at lower average prices.[64] As discussed above in our analysis of price effects, U.S. prices fell sharply between 2014 and 2015 primarily because of a decrease in hot-rolled steel prices, which led to the decline in the unit value of net sales. The ratio of the industry's COGS to net sales increased slightly between 2011 and 2013, rising from 85.9 percent to 87.5 percent.[65] The industry's revenues fell more rapidly than its COGS because the industry's sales volumes were declining more rapidly than certain fixed and semi-fixed costs, such as direct labor and other factory costs.[66] In addition, evidence on the record indicates that while U.S. prices for HWR will generally decline in tandem with falling hot-rolled steel prices, the industry's raw material costs often reflect usage of previously purchased, higher-priced hot-rolled steel from inventory.[67] As a result, most U.S. producers stated that a decrease in hot-rolled steel prices results in lower profitability for HRW production, which is likely what occurred between 2014 and 2015.[68] The domestic industry's gross profit margin declined from 14.1 percent in 2013 to 12.5 percent in

[58] CR/PR at Table C-1. Capacity was 662,306 short tons in interim 2015 and 680,787 short tons in interim 2016.

[59] Capacity utilization was 62.4 percent in interim 2015 and 61.9 percent in interim 2016. CR/PR at Table C-1.

[60] CR/PR at Table C-1. There were 1,160 PRWs in interim 2015 and 1,125 PRWs in interim 2016.

[61] CR/PR at Table C-1. Hours worked decreased by 0.3 percent between interim periods, while wages paid increased by 0.3 percent and hourly wages increased by 0.6 percent between interim periods.

[62] CR/PR at Table C-1. Productivity increased by 2.2 percent between interim periods.

[63] CR/PR at Table C-1. The quantity of net sales increased by 2.0 percent between interim periods.

[64] CR/PR at Table C-1. The value of net sales decreased by 21.6 percent between interim periods, while the unit value of net sales decreased by 15.7 percent between 2013 and 2015 and by 23.1 percent between interim periods.

[65] CR/PR at Table C-1. The industry's COGS to net sales ratio decreased from 90.1 percent in interim 2015 to 82.9 percent in interim 2016.

[66] CR/PR at Table VI-1.

[67] CR/PR at Appendix G. For example, *** *Id*. U.S. producers reported that they carried on average six to ten weeks' worth of hot-rolled steel inventory. CR at VI-17; PR at VI-4.

[68] CR/PR at Appendix G.

2015.[69] The domestic industry's operating income margin declined from 9.2 percent in 2013 to 5.9 percent in 2015, due in large part to an increase in the ratio of selling, general, and administrative expenses ("SG&A") expenses.[70] The industry's net income margin, which also reflects SG&A expenses, declined from 7.4 percent in 2013 to 3.7 percent in 2015.[71] Capital expenditures declined from 2011 to 2013, while research and development expenses were very small, but increased slightly.[72]

Subject imports cannot be included among the several factors described above which adversely affected U.S. producers' market share, U.S. shipments, production, and financial performance because subject imports declined over the POI, both in absolute terms and relative to U.S. consumption.[73] As discussed above, U.S. prices for HWR declined due to falling hot-rolled steel prices and a decrease in demand for HWR, and the adverse financial effects linked to these price declines are similarly unrelated to subject imports.

Petitioners claim that the decrease in subject imports was in part driven by the filing of the petitions in July 2015, and they point to the differences in the industry's performance between the interim 2015 and interim 2016 periods as evidence that the industry was able to see improvements as a result of the petition filings.[74] The record suggests that the U.S. industry experienced improvements in terms of market share, U.S. shipments, and financial performance in interim 2016.[75] However, as discussed above, subject imports began declining in 2014, well before the filing of the petitions, and this decline continued on a quarterly basis through interim 2016. In addition, the improved financial performance of the industry in interim 2016 is likely due in large part to rising prices for hot-rolled steel,[76] causing the industry's unit values of net sales to fall less than COGS.[77] Thus, while the petitions may have had some beneficial effect on the industry, we do not find that the pendency of these investigations fully explains the improvement in the industry's condition in interim 2016 or supports a conclusion that subject imports were having an injurious impact on the domestic industry prior to the filing of the petition.

The domestic industry's declining trends in operating and financial performance were a

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[69] CR/PR at Table VI-1. Between interim periods, the gross profit margin increased from 9.9 percent to 17.1 percent.

[70] CR/PR at Table VI-1. Between interim periods, the operating income margin increased from 3.4 percent to 8.3 percent. SG&A expenses, as a ratio to net sales, increased from 4.8 percent in 2013 to 6.6 percent in 2015, and increased from 6.5 percent in interim 2015 to 8.8 percent in interim 2016.

[71] CR/PR at Table VI-1. Between interim periods, the net income margin increased from 1.2 percent in interim 2015 to 5.6 percent in interim 2016.

[72] CR/PR at Table VI-4. Capital expenditures fell from $*** in 2013 to $*** in 2015. They totaled $*** in interim 2015 and $*** in interim 2016. Research and development expenses increased from $*** in 2013 to $*** in 2015. They totaled $*** in interim 2015 and $*** in interim 2016.

[73] CR/PR at Table C-1.

[74] Petitioners' Prehearing Brief at 9-10, Petitioners' Posthearing Brief at 12-13.

[75] CR/PR at Table C-1.

[76] CR/PR at Figure V-1; Mexican Respondents' Posthearing Brief at Exhibit 6; Hearing Tr. at 178 (Stoupignan).

[77] CR/PR at Table VI-1.

combination of factors that led to adverse trends in the industry's output and revenue. Such factors included a loss of market share to nonsubject imports, decreased demand, fewer exports, a drawdown of inventories, and reduced prices caused by a rapid decline in hot-rolled steel prices. Subject imports, which declined during the POI, did not contribute to the domestic industry's lower output, prices, or revenue.

In view of the foregoing, we find that the cumulated subject imports have not had a significant impact on the domestic industry, and we conclude that the industry is not materially injured by reason of subject imports from Korea, Mexico, and Turkey.

II. No Threat of Material Injury by Reason of Subject Imports

A. Legal Standard

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing 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."[78] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.[79] In making our determination, we consider all statutory threat factors that are relevant to these investigations.[80]

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[78] 19 U.S.C. § 1677(7)(F)(ii).

[79] 19 U.S.C. § 1677(7)(F)(ii).

[80] These factors are as follows:

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

…

(Continued...)

B. Cumulation

We must consider whether to cumulate subject imports from Korea, Mexico, and Turkey for purposes of a threat analysis. In contrast to cumulation for present material injury, cumulation for threat analysis is discretionary. Under section 771(7)(H) of the Tariff Act, the Commission may "to the extent practicable" cumulatively assess the volume and price effects of subject imports from all countries as to which petitions were filed on the same day if the requirements for cumulation in the material injury context are satisfied.[81]

As explained in section IV of the Views of the Commission, which we join, we cumulated subject imports from Korea, Mexico, and Turkey for purposes of our present material injury analysis, finding a reasonable overlap of competition despite some possible limitations in geographic presence. With respect to cumulation for purposes our threat analysis, we note some differences in volume trends, with subject imports from Korea declining in 2015 at a more modest rate than subject imports from Mexico or Turkey.[82] The record also indicates that subject producers in Mexico compete in the U.S. market under somewhat different circumstances, given their proximity to the U.S. market and their ability to ship by different modes and in more modest volumes. Nonetheless, we determine to exercise our discretion to cumulate for purposes of our threat of material injury determination, based on the reasonable overlap already found and the only modest divergence in trends in subject import volume.

(…Continued)

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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of likely subject import volume. Statutory threat factor (IV) is discussed in the analysis of likely subject import price effects. Statutory factors (VIII) and (IX) are discussed in the analysis of likely impact. Statutory factor (VII) concerning agricultural products is inapplicable to these investigations.

[81] 19 U.S.C. § 1677(7)(H).

[82] CR/PR at Table C-1.

C. Analysis[83]

1. Likely Volume

As discussed above, we have found the volume of subject imports to be significant, given that cumulated subject imports accounted for a significant share of apparent U.S. consumption through much of the POI. We did not find the increase in subject import volume to be significant, given that the increase in 2014 was relatively minor in the context of the overall market and that the entire increase in subject imports was reversed before the end of the POI.

Cumulated subject imports were only the third leading source of HWR in the U.S. market throughout most of the POI, and imports from Canada alone exceeded cumulated subject import volume in 2015 and in interim 2016.[84] Even under the favorable demand conditions existing in 2014, subject imports barely exceeded the volume of nonsubject imports and quickly declined as conditions became less favorable.[85] Subject imports began declining relatively steadily from peak quarterly imports in the second quarter of 2014 through the end of the POI, indicating that market conditions, not the possibility of duties, made subject imports less attractive to the U.S. market.[86]

We note that the subject producers are significant producers and exporters of HWR and will likely remain so.[87] However, the record suggests that these industries are becoming less, not more, dependent on the U.S. market.[88] The combined subject industries substantially increased their reliance on their home market shipments over the POI, with home market shipments accounting for *** percent of total shipments in 2015 and *** percent of total shipments in interim 2016 compared to *** percent in 2013.[89] The record also suggests that no

[83] The statute instructs the Commission to consider the "nature of the subsidy" in a countervailing duty proceeding as part of its consideration of the threat of material injury. 19 U.S.C. § 1677(7)(F)(i)(I). We note that in its final countervailing duty determination, Commerce determined that six types of programs provided countervailable subsidies to one or more producers/exporters in Turkey, consisting of the following: (1) provision of hot-rolled steel for less than adequate remuneration (LTAR); (2) provision of land for LTAR; (3) deduction from taxable income for export revenue; (4) export financing; (5) investment encouragement program customs duty and VAT exemptions; and (6) Law 6486: Social Security premium incentives. Commerce assigned net countervailable subsidy rates as follows: MMZ Onur, 23.37 percent; Ozdemir, 15.08 percent; and all others, 19.06 percent. 81 Fed. Reg. 47349 (July 21, 2016); Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Final Determination, United States Department of Commerce, International Trade Administration, July 14, 2016. EDIS Document No. 586130. We note that these margins are not *de minimis* and consider them in the totality of our threat analysis.

[84] CR/PR at Table C-1.

[85] CR/PR at Table C-1.

[86] CR/PR at Table C-1, Table IV-5, and Figure IV-2.

[87] CR/PR at Table VII-14.

[88] CR/PR at Table VII-14.

[89] CR/PR at Table VII-14.

significant increases in capacity will reportedly occur in the imminent future[90] and that inventories, both in the U.S. and held by subject producers, have been trending downwards.[91] Although all three subject industries produce alternative products on the same equipment used to produce HWR, the reported share of total production dedicated to HWR was relatively stable overall.[92]

Favorable conditions in the imminent future, primarily an increase in U.S. market prices as a result of rising raw material prices, may lift subject import volume above the very low levels seen at the end of the POI. However, we find it unlikely that any such increases would be significant, given the apparent conditions in the subject industries, the relatively modest increases made by subject imports in 2013-2014, and the increasingly dominant position of nonsubject imports in the U.S. market. We determine that significant increases in subject import volume in the imminent future, absolutely or relative to domestic production or consumption, are unlikely.

2. Likely Price Effects

In our discussion above, we noted significant underselling by the subject imports. We also found that, notwithstanding the instances of underselling by subject imports during the POI, the subject imports did not cause significant price effects. Rather, the price for the leading raw material used in the production of HWR, hot-rolled steel, declined sharply over the POI. With purchasers being highly responsive to raw material price changes, price declines for HWR over the POI were closely correlated to hot-rolled steel price changes, rather than with subject import volume or pricing patterns. Alleged price reductions by the domestic industry to compete with subject imports and to take back sales from subject imports had no effect on the domestic industry's market share, and coincided with the most substantial declines in hot-rolled steel prices and demand.

While subject imports and the domestic like product are substitutable and price is an important factor in purchasing decisions, the evidence on the record indicates that U.S. HWR prices react to raw material price changes, not lower-priced subject imports, and this relationship is likely to continue. Given this condition of competition and the likely modest increase in the volume of subject imports in the imminent future, the likelihood of any adverse price effects caused by subject imports is also limited.

3. Likely Impact

As we discussed above, the domestic industry experienced declines in many performance indicators between 2013 and 2015, including production, shipments, productivity, income, and operating margins.[93] The industry's export shipments also declined significantly.[94]

[90] CR/PR at Table VII-14. We note that ***. CR at VII-18 n.15; PR at VII-12 n.15.
[91] CR/PR at Table VII-14-15.
[92] CR/PR at Table VII-3, Table VII-8, and Table VII-12.
[93] CR/PR at Table C-1.
[94] CR/PR at Table C-1.

Most performance indicators were higher in interim 2016 than in interim 2015. The domestic industry's improvement occurred at time when raw material price declines reversed, although apparent U.S. consumption of HWR remained sluggish.[95]

We do not find the domestic industry to be vulnerable, although the domestic industry will remain sensitive to downward shifts in hot-rolled steel prices. The record suggests that demand in some HWR sectors will remain strong and growing.[96] The industry experienced closures and consolidations over the POI but also expansions and the entry of a new producer.[97] The domestic industry continues to be the dominant supplier in the U.S. market.[98] Spending in the nonresidential construction sector, a major consumer of HWR, has continued to rise.[99] The price of hot-rolled steel has continued to rise strongly past the end of the POI,[100] and rising raw material prices should encourage distributors to restock HWR inventories in the imminent future.[101]

In view of the foregoing, and our findings that subject imports are not likely to significantly increase or cause price effects in the imminent future, we conclude that an industry in the United States is not threatened with material injury by reason of subject imports.

III. Conclusion

For the reasons stated above, we determine that an industry in the United States is not materially injured or threatened with material injury by reason of HWR from Korea, Mexico, and Turkey that are sold in the United States at less than fair value and subsidized by the government of Turkey.

[95] CR/PR at Figure V-1 and Table C-1.

[96] Mexican Respondents Prehearing Brief at 42-43.

[97] CR/PR at Table III-3.

[98] CR/PR at Table C-1.

[99] CR/PR at Figure II-1.

[100] CR/PR at Figure V-1.

[101] CR at II-20, PR at II-14 (anticipated price increases prompt purchasers to expand inventories); CR at V-6, PR at V-4; Tr. at 108-09 (McManus).

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Atlas Tube, a division of Zekelman Industries, Inc.[1] (Chicago, Illinois); Bull Moose Tube Company (Chesterfield, Missouri); EXLTUBE (North Kansas City, Missouri); Hannibal Industries, Inc. (Los Angeles, California); Independence Tube Corporation (Chicago, Illinois); Maruichi American Corporation (Santa Fe Springs, California); Searing Industries (Rancho Cucamonga, California); Southland Tube (Birmingham, Alabama); and Vest, Inc. (Los Angeles, California) on July 21, 2015, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of heavy walled rectangular welded carbon steel pipes and tubes ("HWR tubular products")[2] from Korea, Mexico, and Turkey, and subsidized imports of HWR tubular products from Turkey. The following tabulation provides information relating to the background of these investigations.[3] [4]

[1] JMC Steel Group Inc. changed its name to Zekelman Industries Inc., June 6, 2016. "JMC Steel Group Changes Name to Zekelman Industries Inc.," http://www.zekelman.com/press-release/zekelman-industries/jmc-steel-group-changes-name-to-zekelman-industries-inc, June 6, 2016.

[2] *See* the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[3] Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission's website (www.usitc.gov).

[4] A list of witnesses that appeared at the hearing is presented in app. B of this report.

Effective date	Action
July 21, 2015	Petition filed with Commerce and the Commission; institution of the Commission's investigation (80 FR 44383, July 27, 2015)
August 17, 2015	Commerce's notices of initiation (80 FR 49202 and 80 FR 49207)
September 4, 2015	Commission's preliminary determinations (80 FR 54802, September 11, 2015)
October 15, 2015	Commerce's postponement of its preliminary determination in the countervailing duty investigation (80 FR 62023)
December 2, 2015	Commerce's postponement of its preliminary determinations in the antidumping duty investigations (80 FR 76269, December 8, 2015)
December 28, 2015	Commerce's preliminary determination concerning the countervailing duty investigation on imports from Turkey; alignment of final countervailing duty determination with final antidumping duty determination (80 FR 80749)
March 1, 2016	Commerce's preliminary determinations concerning the antidumping duty investigations on imports from Korea (81 FR 10585), Mexico (81 FR 10587), and Turkey (81 FR 10583)
March 1, 2016	Scheduling of Commission's final phase of countervailing and antidumping duty investigation (81 FR 13820, March 15, 2016)
July 14, 2016	Commission's hearing
July 21, 2016	Commerce's final determinations concerning the antidumping duty investigations on imports from Korea (81 FR 47347), Mexico (81 FR 47352), and Turkey (81 FR 47355)
July 21, 2016	Commerce's final determination concerning the countervailing duty investigation on imports from Turkey (81 FR 47349)
August 17, 2016	Commission's vote
September 6, 2016	Commission's views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

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

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[5]

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of 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.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[6]

> *(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.*

Organization of report

Part I of this report presents information on the subject merchandise, subsidy rates and dumping margins, as well as domestic like product. *Part II* of this report presents information

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[6] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

HWR tubular products generally are used in construction for support and for load-bearing purposes, as well as in transportation, farm, and material handling equipment.[7] The leading U.S. producers of HWR tubular products are Atlas Tube, a division of Zekelman Industries, Inc. ("Atlas Tube"), Bull Moose Tube Company ("Bull Moose"), and Independence Tube Corporation ("Independence").[8]

Histeel Co., Ltd. ("Histeel") and Dong-A Steel Company ("Dong-A Steel") are the primary producers of HWR tubular products in Korea. Eight producers in Mexico responded to the Commission's questionnaire in this proceeding.[9] The leading Mexican producer is ***. In addition, three producers in Turkey responded to the Commission's questionnaire in this proceeding.[10] The largest of these three Turkish producers are ***.

The leading responding U.S. importers of HWR tubular products from Korea include ***. The leading responding U.S. importers of HWR tubular products from Mexico include ***. The leading responding U.S. importers of HWR tubular products from Turkey include ***. The leading responding U.S. importers of HWR tubular products from Canada include ***. The leading responding U.S. importer of HWR tubular products from other nonsubject countries is ***.

U.S. purchasers of HWR tubular products include service centers, the construction industry, and the agricultural machinery and equipment industry. The largest responding

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[7] Petition, Vol. I, p. 6; hearing transcript, p. 32 (Muth).

[8] Other U.S. producers include American Tubular Products ("ATP"); Axis Pipe and Tube ("Axis"); EVRAZ Oregon Steel Structural Tubing ("EVRAZ"); Hanna Steel Corporation ("Hanna"); Hannibal Industries, Inc. ("Hannibal"); Maruichi American Corporation ("Maruichi"); Maruichi Leavitt Pipe & Tube, LLC ("Leavitt"); Searing Industries, Inc. ("Searing"); Steel Ventures dba EXLTUBE ("EXLTUBE"); Southland Tube, Inc. ("Southland"); TMK IPSCO ("TMK"); and Vest, Inc. ("Vest").

[9] Responding Mexican producers include Arco Metal S.A. de C.V. ("Arco Metal"); Forza Steel; Maquilacero S.A. de C.V. ("Maquilacero (Mexico)"); Perfiles y Herrajes L.M., S.A. de C.V. ("Perfiles y Herrajes (Mexico)"); Productos Laminados de Monterrey, S.A. de C.V. ("Prolamsa (Mexico)"); PYTCO, S.A. de C.V. ("PYTCO"); Regiomontana de Perfiles y Tubos, S.A. de C.V. ("Regiomontana (Mexico)"); and Ternium Mexico, S.A. de C.V. ("Ternium").

[10] Responding Turkish producers include Cinar Boru Profil Sanayi ve Ticaret A.S. ("Cinar Boru"), MMZ Onur Boru Profil Uretim Sanayi ve Ticaret A.S. ("MMZ Onur"), and Ozdemir Boru Profil Sanayi ve Ticaret Ltd., STI ("Ozdemir").

purchasers of HWR tubular products were ***. Combined, these firms represented 34 percent of purchases reported by U.S. purchasers and 15 percent of U.S. apparent consumption in 2015. Distributors reported that their customers were other distributors as well as end users in construction, agriculture, oil/gas production, and producers of machinery, racks, trucks, and trailers.

Apparent U.S. consumption of HWR tubular products totaled approximately 2.0 million short tons ($1.4 billion) in 2015. U.S. producers' U.S. shipments of HWR tubular products totaled 1.5 million short tons ($1.1 billion) in 2015, and accounted for 78.6 percent of apparent U.S. consumption by quantity and 77.8 percent by value. U.S. imports from subject sources totaled 159,123 short tons ($103.0 million) in 2015 and accounted for 8.1 percent of apparent U.S. consumption by quantity and 7.2 percent by value. U.S. imports from nonsubject sources (primarily Canada) totaled 260,634 short tons ($213.9 million) in 2015 and accounted for 13.3 percent of apparent U.S. consumption by quantity and 15.0 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 14 firms[11] that accounted for virtually all U.S. production of HWR tubular products during 2015.[12]

Usable importer questionnaire responses were received from 36 companies, representing 62.5 percent of subject imports from Korea, 97.2 percent from Mexico, 79.8 percent from Turkey, 87.3 percent of nonsubject U.S. imports from Canada, and 28.7 percent of imports from all other nonsubject sources in 2015. In light of the less-than-complete coverage of data from certain subject and nonsubject countries provided in Commission questionnaires, import data in this report are based on official Commerce statistics for HWR tubular products (HTS subheadings 7306.61.10 and 7306.61.30).[13]

Foreign industry data are based on questionnaire responses received from 12 companies, representing approximately *** percent of production in Korea, *** percent of production in Mexico, and *** percent of production in Turkey.

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[11] All known U.S. producers other than ATP responded to the Commission's questionnaire in this proceeding.

[12] The coverage estimate is based on a variety of sources. During the preliminary phase of these investigations, ***. Petitioners clarified that the total shipping estimate for the U.S. market had not been ***. ***. Petition, Vol. I, p. 4; Preston Pipe & Tube Report, Vol. 34, No. 4, April 2016, p. 60; Petitioners' postconference brief, pp. 2-3; Staff telephone interview with ***, August 10, 2015.

[13] The coverage estimates presented above are based on official import statistics. HTS subheading 7306.61.30 includes stainless steel products, which are not subject to these investigations. Staff determined that imports from Finland and Taiwan under HTS subheading 7306.61.30 are stainless steel products. Therefore, imports of stainless steel products from Finland and Taiwan under HTS subheading 7306.61.30 have been removed. Staff telephone interview with ***, June 28, 2016; Product Lines, Ta Chen International, Inc., http://www.tachen.com/productline.asp, accessed on June 28, 2016; Products & Services, Stalatube Oy, http://www.stalatube.com/Products-and-services/, accessed on June 28, 2016.

PREVIOUS AND RELATED INVESTIGATIONS

HWR tubular products have been the subject of several prior antidumping duty investigations in the United States. Table I-1 presents data on previous import injury investigations concerning HWR tubular products.

Table I-1
HWR tubular products: Previous import injury investigations

Source	Inv. No.	USITC Publication		Result
		Number	Date	
Korea	731-TA-131 (Preliminary)	USITC 1389	June 1983	Negative
Taiwan	731-TA-132 (Preliminary)	USITC 1389	June 1983	Negative
Korea	731-TA-138 (Final)	USITC 1519	April 1984	Negative
Singapore	731-TA-296 (Preliminary)	USITC 1796	December 1985	Negative
Canada	731-TA-254 (Final)	USITC 1808	February 1986	Negative

Source: Cited Commission publications.

The Commission has also investigated related light walled rectangular welded carbon steel pipes and tubes ("LWR tubular products") several times since 1984. Table I-2 presents data on previous antidumping and countervailing duty investigations and five-year reviews concerning LWR tubular products.

Table I-2

LWR tubular products: Previous import injury investigations and reviews

Source	Inv. No.	USITC Publication		Result
		Number	Date	
Korea	731-TA-138 (Final)	USITC 1519	April 1984	Affirmative; revoked October 1985 VRA
Spain	731-TA-198 (Preliminary)	USITC 1569	August 1984	Terminated after preliminary; petition withdrawn
Taiwan	731-TA-211 (Final)	USITC 1799	January 1986	Negative
Singapore	731-TA-296 (Final)	USITC 1907	November 1986	Affirmative
	731-TA-296 (Review)	USITC 3316	July 2000	Revoked following ITC negative
Taiwan	731-TA-349 (Final)	USITC 1994	July 1987	Negative
Argentina	731-TA-409 (Final)	USITC 2187	May 1989	Affirmative
	731-TA-409 (Review)	USITC 3316	July 2000	Order continued
	731-TA-409 (Second Review)	USITC 3867	July 2006	Revoked following ITC negative
Taiwan	731-TA-410 (Final)	USITC 2169	March 1989	Affirmative
	731-TA-410 (Review)	USITC 3316	July 2000	Order continued
	731-TA-410 (Second Review)	USITC 3867	July 2006	Order continued
	731-TA-410 (Third Review)	USITC 4301	January 2012	Order continued
Mexico	731-TA-730 (Preliminary)	USITC 2892	May 1995	Negative
Mexico	731-TA-1054 (Final)	USITC 3728	October 2004	Negative
Turkey	731-TA-1055 (Final)	USITC 3728	October 2004	Negative
Turkey	731-TA-1121 (Final)	USITC 4001	May 2008	Affirmative
	731-TA-1121 (Review)	USITC 4470	June 2013	Order continued
China	701-TA-449 (Final)	USITC 4024	July 2008	Affirmative
	701-TA-449 (Review)	USITC 4470	June 2013	Order continued
	731-TA-1118 (Final)	USITC 4024	July 2008	Affirmative
	731-TA-1118 (Review)	USITC 4470	June 2013	Order continued
Korea	731-TA-1119 (Final)	USITC 4024	July 2008	Affirmative
	731-TA-1119 (Review)	USITC 4470	June 2013	Order continued
Mexico	731-TA-1120 (Final)	USITC 4024	July 2008	Affirmative
	731-TA-1120 (Review)	USITC 4470	June 2013	Order continued

Source: Cited Commission publications.

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

On December 28, 2015, Commerce published a notice in the *Federal Register* of its preliminary determination of countervailable subsidies for producers and exporters of product from Turkey.[14] On July 21, 2016, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of product from Turkey.[15] Table I-3 presents Commerce's preliminary and final findings of subsidization of HWR tubular products in Turkey.

Table I-3
HWR tubular products: Commerce's preliminary and final subsidy determinations with respect to imports from Turkey

Entity	Preliminary countervailable subsidy rate (percent)	Final countervailable subsidy rate (percent)
MMZ Onur	7.69	23.37
Ozdemir	1.35	15.08
All others	4.39	19.06

Source: 80 FR 80749, December 28, 2015; 81 FR 47349, July 21, 2016.

Commerce determined the following programs to be countervailable based upon its analysis of the record:

1. Provision of Hot-Rolled Steel (HRS) for Less than Adequate Remuneration (LTAR)
2. Provision of Land for LTAR
3. Deduction from Taxable Income for Export Revenue
4. Export Financing[16]
5. Investment Encouragement Program (IEP) Customs Duty and VAT Exemptions
6. Law 6486: Social Security Premium Incentive

Commerce found the following programs to be not used:

[14] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 80 FR 80749, December 28, 2015.

[15] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Turkey: Final Affirmative Countervailing Duty Determination*, 81 FR 47349, July 21, 2016.

[16] Commerce determined that Ozdemir reported receiving benefits under the Rediscount Program. *Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Final Determination*, United States Department of Commerce, International Trade Administration, July 14, 2016.

1. Provision of Lignite for LTAR
2. Tax Incentives for Research & Development (R&D) Activities
    a. Tax Benefits for R&D Activities
    b. Product Development R&D Support-UFT
3. Pre-Export Credit Program
4. Export Insurance Provided by Turk Eximbank[17]
5. Large Scale Investment Incentives
    a. VAT and Customs Duty Exemptions
    b. Tax Reductions
    c. Income Tax Withholding
    d. Social Security and Interest Support
    e. Land Allocation
6. Strategic Investment Incentives
    a. VAT and Customs Duty Exemptions
    b. Tax Reductions
    c. Income Tax Withholding
    d. Social Security and Interest Support
    e. Land Allocation
7. Law 5084: Withholding of Income Tax on Wages and Salaries
8. Law 5084: Incentive for Employer's Share in Insurance Premiums[18]

Sales at LTFV

On March 1, 2016, Commerce published notices in the *Federal Register* of its preliminary determinations of sales at LTFV with respect to imports from Korea,[19] Mexico,[20]

[17] Although MMZ Onur had a short-term export credit insurance policy with the Turk Eximbank, both the Government of Turkey and MMZ Onur reported that MMZ Onur did not receive any payment under this program. On this basis, Commerce found that MMZ Onur did not use this program. *Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Final Determination*, United States Department of Commerce, International Trade Administration, July 14, 2016.

[18] *Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Final Determination*, United States Department of Commerce, International Trade Administration, July 14, 2016.

[19] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 10585, March 1, 2016.

[20] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Mexico: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 10587, March 1, 2016.

and Turkey.[21] On July 21, 2016, Commerce published notices in the *Federal Register* of its final determinations of sales at LTFV with respect to imports from Korea,[22] Mexico,[23] and Turkey.[24] Tables I-4, I-5, and I-6 present Commerce's preliminary and final dumping margins with respect to imports of HWR tubular products from Korea, Mexico, and Turkey, respectively.

Table I-4
HWR tubular products: Commerce's preliminary and final weighted-average LTFV margins with respect to imports from Korea

Exporter/manufacturer	Preliminary dumping margin (percent)	Final dumping margin (percent)
Dong-A Steel Company	2.53	2.34
Histeel	3.81	3.82
All others	3.31	3.24

Source: 81 FR 10585, March 1, 2016; 81 FR 47347, July 21, 2016.

Table I-5
HWR tubular products: Commerce's preliminary and final weighted-average LTFV margins with respect to imports from Mexico

Exporter/manufacturer	Preliminary dumping margin (percent)	Final dumping margin (percent)
Maquilacero	3.99	3.83
Prolamsa	16.31	5.21
All others	13.65	4.91

Source: 81 FR 10587, March 1, 2016; 81 FR 47352, July 21, 2016.

Table I-6
HWR tubular products: Commerce's preliminary and final weighted-average LTFV margins with respect to imports from Turkey

Exporter/manufacturer	Preliminary dumping margin (percent)	Final dumping margin (percent)
MMZ Boru	14.48	35.66
Ozdemir	0.00	0.00
All others	14.48	17.73

Source: 81 FR 10583, March 1, 2016; 81 FR 47355, July 21, 2016.

[21] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 10583, March 1, 2016.

[22] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea: Final Determination of Sales at Less Than Fair Value*, 81 FR 47347, July 21, 2016.

[23] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Mexico: Final Determination of Sales at Less Than Fair Value*, 81 FR 47352, July 21, 2016.

[24] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Turkey: Final Determination of Sales at Less Than Fair Value*, 81 FR 47355, July 21, 2016.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:[25] [26]

The products covered by these investigations are certain heavy walled rectangular welded steel pipes and tubes of rectangular (including square) cross section, having a nominal wall thickness of not less than 4 mm. The merchandise includes, but is not limited to, the American Society for Testing and Materials (ASTM) A 500, grade B specifications, or comparable domestic or foreign specifications.

Included products are those in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements below exceeds the quantity, by weight, respectively indicated:

- *2.50 percent of manganese, or*
- *3.30 percent of silicon, or*
- *1.50 percent of copper, or*
- *1.50 percent of aluminum, or*
- *1.25 percent of chromium, or*
- *0.30 percent of cobalt, or*
- *0.40 percent of lead, or*
- *2.0 percent of nickel, or*
- *0.30 percent of tungsten, or*
- *0.80 percent of molybdenum, or*
- *0.10 percent of niobium (also called columbium), or*
- *0.30 percent of vanadium, or*
- *0.30 percent of zirconium*

[25] *Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Preliminary Determination*, United States Department of Commerce, International Trade Administration, December 18, 2015; *Countervailing Duty Investigation of Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Decision Memorandum for the Final Determination*, United States Department of Commerce, International Trade Administration, July 14, 2016.

[26] Commerce's scope in the final phase of these investigations is identical to its scope in its notices of initiation during the preliminary phase of these investigations (80 FR 49202 and 80 FR 49207).

The subject merchandise is currently provided for in item 7306.61.1000 of the Harmonized Tariff Schedule of the United States (HTSUS). Subject merchandise may also enter under HTSUS 7306.61.3000. While the HTSUS subheadings and ASTM specification are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under the following subheadings of the 2016 HTSUS: 7306.61.10 and 7306.61.30. The Column 1-General rate of duty is "Free."[27]

THE PRODUCT

Description and applications

The products covered by these investigations are rectangular (including square) welded carbon steel tubing having a wall thickness of 4 mm (0.157 inch) or greater. Although square and rectangular tubing of any outside dimensions is covered, these products are commonly supplied in rectangular cross sections ranging from 3 by 2 inches to 20 by 12 inches and in squares from 1.5 to 20 inches. U.S. producers supply HWR tubular products in the lengths specified by their customers, generally from 20 to 42 feet. Distributors order sizes and lengths that they believe will be suitable for cutting to the actual lengths required by end users with minimal waste. HWR tubular products are used in construction for support and for load-bearing purposes, as well as in transportation, farm, and material handling equipment. The products generally are manufactured to ASTM specification A 500, grade B, and commonly are referred to in the industry as structural tubing or as hollow structural sections.

Manufacturing processes

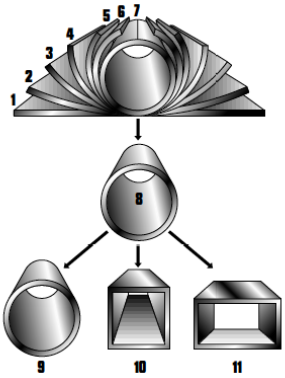
HWR tubular products are produced in tube mills by straightening flat steel sheet in coil form and feeding it through a progressive series of rolls to produce a round tube. The edges of the steel are heated by electrical resistance and forged together to create a continuous longitudinal weld, along the joint axis with no addition of filler metal.[28] The weld seam is cooled

[27] Decisions on the tariff classification and treatment of imported goods are solely within the authority of U.S. Customs and Border Protection.

[28] Welding is primarily done by the electric-resistance welding ("ERW") process in which the strip edges are mechanically pressed together and welded. The heat for welding is generated by resistance of the steel to the flow of an electric current. In one process, a low frequency current (typically 60 to 360 hertz) is conducted to the strip edges by a pair of copper alloy discs which rotate as the pipe is propelled (*continued*...)

and excess flash is removed from the exterior of the tube. The round tube is then processed through a further set of shaping rolls to cold form it into a square or rectangular section. *See* Figure I-1. The tube is then cut to its ordered length, utilizing a circular saw synchronized with the movement of the tube.

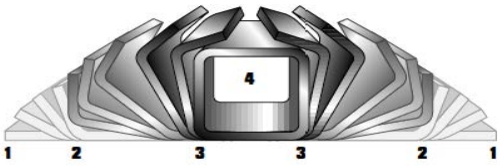
Figure I-1. Round tube process



Source: Steel Tube Institute

Some producers employ an alternative method of producing HWR tubular products called the form-square weld-square process. Forming rolls progressively form the top two corners of a square or rectangular tube in initial forming stations. Subsequent stations form the bottom two corners of the shape and the seam is welded by electrical resistance when it is near its final shape. The outside flash is removed and the tube is formed to its final shape in a series of sizing rolls. *See* Figure I-2. The tube is cut to length by a synchronized saw.

Figure I-2. Form-square weld-square process



Source: Steel Tube Institute

(…*continued*)
under them. A second variation uses a high frequency current (in the range of 400 to 500 kilohertz), which enters the tubing through shoes that act as sliding contacts. An induction coil can also be used with the high frequency current to induce current in the edges of the steel. No direct contact between the induction coil and the tubing is required.

DOMESTIC LIKE PRODUCT ISSUES

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors is discussed below.

In the preliminary phase of these investigations, the petitioners proposed that the domestic like product should be coextensive with the scope of the investigations as defined by Commerce. This scope differs from that in previous investigations on HWR tubular products since it specifies that subject products are those in which iron predominates, have carbon content under a certain amount, and include elevated limitations on certain alloying elements. These specifications reportedly have been included to prevent circumvention through minor changes in physical or chemical composition.[29] No respondent disputed the proposed definition of the domestic like product in the preliminary phase of these investigations.[30]

The Commission found the domestic like product to be coextensive with Commerce's scope in the preliminary phase of these investigations. Specifically, the Commission concluded:

> Based on the record of the preliminary phase of these investigations, there are more similarities than differences within the range of HWR products. HWR is produced domestically in a range of sizes and wall thicknesses, with no clear dividing lines separating the range of HWR products into discrete product groupings. In addition, for purposes of the preliminary determinations, no respondent party disputes the petitioners' argument for a single domestic like product coextensive with the scope of the investigations. We therefore define a single domestic like product coextensive with Commerce's scope of the investigations.[31]

[29] Petition, Vol. I, p. 12.

[30] Mexican producers' postconference brief, p. 2; Turkish respondents' postconference brief, p. 5.

[31] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey, Inv. Nos. 701-TA-539 and 731-TA-1280-1282 (Preliminary)*, USITC Publication 4563, September 2015, p. 8.

In the final phase of these investigations, the Commission requested parties to review and provide suggestions on draft questionnaires, including explanations and consideration of the likely burden of such suggestions. Neither petitioners nor Korean or Turkish respondents provided additional comments or requests for data specifically concerning the domestic like product.[32] Mexican respondent Prolamsa (Mexico) argued that the Commission should collect data regarding certain parts manufactured from HWR tubular products. However, Mexican respondents stated at the public hearing that they take no position regarding the domestic like product, and Turkish respondents noted that they do not object to the petitioners' definitions of the domestic like product and the domestic industry.[33]

[32] Information regarding further processed HWR tubular products for use as parts is in app. F.
[33] Hearing transcript, p. 163 (Gurley); Turkish respondents' prehearing brief, p. 7.

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

U.S. MARKET CHARACTERISTICS

HWR tubular products are mainly used in nonresidential construction and in the manufacture of agricultural, construction, and other equipment. Apparent U.S. consumption of HWR tubular products decreased by 2.1 percent during 2013-15 and was 0.8 percent lower in January-March 2016 than in January-March 2015.[1] [2]

U.S. PURCHASERS

The Commission received 35 usable questionnaire responses from firms that purchased HWR tubular products since 2013.[3] Thirty responding purchasers are distributors, while the remaining purchasers are end users engaged in manufacturing or processing.[4] Responding U.S. purchasers were located in all regions of the continental United States. The largest responding purchasers of HWR tubular products are, in order of size, ***. All of these firms are distributors, and combined they represented 34 percent of the 2015 reported purchases and 15 percent of apparent U.S. consumption in 2015. Distributors reported that their customers were other distributors as well as end users in construction, agriculture, oil/gas production, and machinery, racks, trucks, and trailer manufacturers.[5]

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[1] Petitioners contend that the decline in apparent consumption overstates the decline in actual consumption between 2014 and 2015 because purchasers' and importers' inventories declined. Petitioners' prehearing brief, p. 21.

[2] Turkish respondents contend that the falling price of hot-rolled coil in 2015 reduced apparent consumption of HWR tubular products in 2015. They report that purchasers delayed their purchases of HWR tubular products, as they expected prices to continue to fall with hot-rolled coil prices. Turkish respondents' prehearing brief, pp. 1, 5. Mexican respondents contend that increasing inventories from 2013 to 2014 were the result of increasing hot-rolled prices, which encouraged purchasers to increase inventories of HWR tubular products, thus increasing apparent consumption. They also claim that declining hot-rolled prices from 2014 to 2015 caused purchasers to reduce inventories which contributed to declines in apparent consumption. Mexican respondents' prehearing brief, p. 20.

[3] Of the 35 responding purchasers, 31 purchased domestic HWR tubular products, 19 purchased imports of the subject merchandise from Korea, 13 from Mexico, 8 from Turkey, 19 from nonsubject sources, and 10 from "unknown" country sources. Three of the four firms that did not report purchasing U.S. product knew the source of the HWR tubular products they purchased. One purchased *** and two purchased product only from ***.

[4] One purchaser (***) did not answer this question. One purchaser (***) reported it was both a distributor and an end user. One purchaser (***) reported that it was both a distributor and a ***.

[5] None of the 35 purchasers reported purchasing further processed HWR tubular products. Eight of 35 purchasers reported that they further processed HWR tubular products that they purchased; their combined volume was approximately *** short tons in 2015. ***.

CHANNELS OF DISTRIBUTION

U.S. producers and importers of HWR tubular products were sold mainly to distributors, as shown in table II-1. Turkish respondents argue that distributors are more sensitive to price while end users are more interested in reliability and close supply sources. In addition, when prices are falling, distributors will reduce their purchases and inventories more than end users.[6]

Table II-1
HWR tubular products: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2013-15, January to March 2015, and January to March 2016

Item	Period				
	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Share of reported shipments (percent)				
U.S. producers' U.S. commercial shipments of HWR tubular products:					
Distributors	79.3	80.9	82.1	80.6	84.8
End users	20.7	19.1	17.9	19.4	15.2
U.S. importers' U.S. commercial shipments of HWR tubular products from Korea:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of HWR tubular products from Mexico:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of HWR tubular products from Turkey:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of HWR tubular products from Canada (nonsubject):					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of HWR tubular products from all other countries:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***

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

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers of product from Turkey reported selling HWR tubular products to all regions in the contiguous United States (table II-2). Importers of product from Korea reported selling to all U.S. regions except the Midwest and "other," and importers of product from Mexico reported selling to all U.S. regions except the Northeast and "other." Most importers of Korean HWR tubular products sold it in the Pacific Coast region. All importers of Mexican HWR tubular products reported sales in the Central Southwest region. Importers of Turkish HWR tubular products sold to more dispersed markets, with five importers selling in the Northeast, Southeast and Central Southwest.

[6] Turkish respondents' posthearing brief, p. 6.

Table II-2
HWR tubular products: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Subject importers			Nonsubject importers	
		Korea	Mexico	Turkey	Canada	All other
Northeast	8	2	0	**5**	***	3
Midwest	11	0	2	2	***	2
Southeast	8	2	2	**5**	***	3
Central Southwest	11	4	**5**	**5**	***	5
Mountain	14	3	3	3	***	3
Pacific Coast	13	**8**	2	2	***	**9**
Other[1]	6	0	0	1	***	2
All regions (except Other)	8	0	0	1	***	1
Reporting firms	14	11	5	9	***	10

[1] All other U.S. markets, including AK, HI, PR, and VI.

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

Petitioners provided a number of articles suggesting that the West Coast producers implement price hikes differently than producers elsewhere in the United States. "California mills, typically more cautious than their counterparts east of the Rockies, had remained on the sidelines since last year, trying to preserve what remained of a $40-per-ton November hike that had been gradually eroding due to stiff competition."[7] Lower prices reportedly were available on the West Coast from Midwestern producers and from Korean imports.[8]

Mexican respondents report that their largest customers are in Oklahoma and Texas. Unlike imports from Turkey and Korea, Mexican HWR tubular products are sold by the truck load, sometimes including both light-walled and heavy-walled tube.[9]

Turkish respondents contend that because of the high transportation cost for HWR tubular products, the market is geographically segmented. They claim that U.S. producers dominate the interior of the United States and are able to charge a price premium in these locations. Thus, according to the Turkish respondents, U.S. mills in Indiana, Illinois, Missouri, and Wyoming are insulated from subject imports.[10]

U.S. producers and importers from Mexico reported that most sales were to destinations between 101 and 1,000 miles of their U.S. point of shipment. Most sales of imports

[7] Petitioners' posthearing brief, exh. 5, "West coast tubing mills join move to hike prices," March 13, 2013, pp. 1, 8.

[8] Petitioners' posthearing brief, exh. 5, "W. Coast tube tags hold despite weak end of '12," American Metal Market, January 4, 2013 p. 1. "West coast tubing mills join move to hike prices," American Metal Market, March 13, 2013, pp. 1, 8.

[9] Hearing transcript, pp. 117-118 (Stoupignan).

[10] Turkish respondents' posthearing brief, p. 5.

from Korea and Turkey were to destinations within 100 miles of the importers' U.S. point of shipment (table II-3).

Table II-3
HWR tubular products: Share of sales shipped by distance reported by U.S. producers and importers

Region	U.S. producers	Importers		
		Korea	Mexico	Turkey
Zero to 100 miles	14.6	***	***	***
101 miles to 1,000 miles	77.7	***	***	***
Over 1,000 miles	7.6	***	***	***

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

Transportation costs for HWR tubular products tend to be higher than the cost of shipping the underlying steel because of the products' hollow shape, sometimes referred to as "shipping air."[11] High transportation costs led U.S. producer Searing Industries to build a plant in Wyoming to serve the Northern Rockies area including the Bakken Shale area. The high cost of shipping "from the West Coast or Chicago" was expected to make this mill competitive.[12] Producers reported U.S. inland transportation costs ranging from 1 to 15 percent of the total delivered cost of HWR tubular products, and averaging 7.8 percent. Only eight importers reported U.S. inland transportation costs, ranging from 3 to 10 percent of the total delivered cost of HWR tubular products, and averaging 5.4 percent. Petitioners characterize transportation costs as the second-most important cost for HWR tubular products, after steel.[13] They argued that because of the high cost of transportation, the impact of imports is greatest for U.S. producers near the West Coast and Gulf Coast,[14] although there has been some impact on U.S. producers in all areas.[15]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production[16]

Based on available information, U.S. producers of HWR tubular products have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments

[11] Conference transcript, p. 36 (Searing).
[12] Hearing transcript, p. 111 (McManus).
[13] Petitioner's postconference brief, p. 9.
[14] Conference transcript, p. 17 (Cloutier).
[15] Petitioner's postconference brief, pp. 9-10.
[16] This section excludes responses of U.S. producers of further processed HWR tubular products. Staff issued additional questionnaires to eight U.S. purchasers that further processed HWR tubular products. *See* app. F for information regarding further processed HWR tubular products.

of U.S.-produced HWR tubular products to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and the ability to produce alternate products.

Industry capacity

U.S. capacity to produce HWR tubular products decreased from 2.8 million short tons in 2013 to 2.7 million short tons in 2015. Domestic capacity utilization decreased from 64.1 percent in 2013 to 59.6 percent in 2015. This relatively low level of capacity utilization suggests that U.S. producers may have substantial ability to increase production of HWR tubular products in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a percentage of total shipments, decreased from 6.9 percent in 2013 to 4.5 percent in 2015, indicating that U.S. producers may have limited ability to shift shipments between the U.S. market and other markets in response to price changes. Principal export markets are Canada and Mexico.

Inventory levels

U.S. producers' inventories increased slightly from 13.2 percent as a share of total shipments in 2013 to 13.7 percent in 2015. These inventory levels suggest that U.S. producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Nine of 14 U.S. producers stated that they produce other products on the same equipment used to produce HWR tubular products. Producers reported being able to produce other rectangular tubes, circular welded pipe, structural rounds, piling, automotive tubing, line pipe, and circular welded rounds. The share of other products produced on the same equipment increased from *** percent in 2013 to *** percent in 2015. These alternative products suggest U.S. producers may have some ability to respond to changes in demand with shifts in the products they produce.

Supply constraints

No U.S. producer reported supply problems, shortages, or allocations.[17] Two of the 35 responding purchasers reported supply constraints. Both reported that production schedules created long lead times or late deliveries.

Subject imports from Korea[18]

Based on available information, producers of HWR tubular products from Korea have the ability to respond to changes in demand with moderate changes in the quantity of shipments of HWR tubular products to the U.S. market. The main contributing factor to this degree of responsiveness is the small share of HWR tubular products produced on the same equipment and the moderate capacity utilization. Other supply factors tended to limit the responding Korean producer's ability to increase production.

Industry capacity

The responding Korean producer's capacity to produce HWR tubular products was unchanged at *** short tons in 2013 through 2015. Capacity utilization for HWR tubular products increased irregularly from *** percent in 2013 to *** percent in 2015. The reported data indicate that there was some excess capacity for the responding Korean producer to expand production of HWR tubular products for sale in the U.S. market.

Alternative markets

Between 2013 and 2015, Korean shipments of HWR tubular products to export markets other than the United States decreased from *** percent to *** percent of total shipments. The reported data indicate that the responding Korean producer may have limited ability to shift sales between other markets and the United States.

Inventory levels

Reported inventories of HWR tubular products decreased irregularly as a share of total shipments, declining from *** percent to *** percent during 2013-15. The reported data indicate that there may be limited inventories available to shift to the United States.

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[17] The one producer (***) that indicated supply constraints stated that its response was not related to its production capacity. It reported it was not able to supply because prices were so low that selling at the prevailing prices was a poor business decision.

[18] For data on the number of responding foreign firms and their share of U.S. imports from Korea, please refer to Part I, "Summary Data and Data Sources." ***.

Production alternatives

The one responding Korean producer reported producing *** on the same equipment as HWR tubular products. The share of other products produced on the same equipment ranged from *** percent in 2013 to *** percent in 2014 and was *** percent in 2015. The reported data indicate that there were large amounts of production capacity for other products that could be shifted to produce subject product for sale to the United States.

Supply constraints

Reported supply constraints included ***.

Subject imports from Mexico[19]

Based on available information, producers of HWR tubular products from Mexico have the ability to respond to changes in demand with moderate changes in the quantity of shipments of HWR tubular products to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the ability to shift production and some excess capacity.

Industry capacity

Responding Mexican producers' capacity to produce HWR tubular products increased from *** short tons in 2013 to *** short tons in 2015.[20] Capacity utilization rates for HWR tubular products increased irregularly between 2013 and 2015, from *** percent to *** percent. The reported data indicate that there was some excess capacity for the Mexican producers to expand production of HWR tubular products for sale in the U.S. market.

Alternative markets

Between 2013 and 2015, Mexican shipments of HWR tubular products to export markets other than the United States decreased from *** percent to *** percent of total shipments, indicating limited ability to shift sales from other markets to the United States.

[19] For data on the number of responding foreign firms and their share of U.S. imports from Mexico, please refer to Part I, "Summary Data and Data Sources." Responding Mexican producers represented the vast majority of U.S. imports from Mexico.

[20] Mexican capacity was projected to increase to *** short tons in 2017.

Inventory levels

Reported inventories of HWR tubular products increased relative to total shipments, from *** percent to *** percent during 2013-15. The reported data indicate that there may be some inventories available to shift to the United States.

Production alternatives

*** responding Mexican producers reported that they produced other products on the same equipment as HWR tubular products. Mexican producers reported producing round tubing, mechanical tube, and conduit. The share of other products produced on the same equipment ranged from *** percent in 2013 to *** percent in 2014. The reported data indicate that there were large amounts of production capacity for other products that could be shifted to produce HWR tubular products for sale to the United States.

Supply constraints

Reported supply constraints included: raw material availability, warehouse capacity, product mix, frequency of changes in material produced, cutting time, and mill capacity.

Subject imports from Turkey[21]

Based on available information, producers of HWR tubular products from Turkey have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of HWR tubular products to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the moderate capacity utilization, sales to other export markets, growing inventories, and production alternatives.

Industry capacity

The capacity of responding Turkish producers to produce HWR tubular products decreased irregularly from *** short tons in 2013 to *** short tons in 2015. [22] Capacity utilization for HWR tubular products decreased between 2013 and 2015 from *** percent to *** percent. The reported data indicate that there was some excess capacity for the Turkish producers to expand production of HWR tubular products for sale in the U.S. market. Turkish respondents claim that capacity utilization rates of *** percent "is about the maximum

[21] For data on the number of responding foreign firms and their share of U.S. imports from Turkey, please refer to Part I, "Summary Data and Data Sources." Responding Turkish producers represented the majority of U.S. imports of Turkish product.

[22] Turkish capacity was projected to increase to *** short tons in 2017.

sustainable level…" because of downtime required for maintenance, equipment switchovers, and holidays.[23]

Alternative markets

Between 2013 and 2015, Turkish shipments of HWR tubular products to export markets other than the United States increased irregularly from *** percent to *** percent. The reported data indicate that Turkish producers may have some ability to shift sales between other markets and the United States.

Inventory levels

Reported inventories of HWR tubular products relative to total shipments decreased from *** percent to *** percent during 2013-15. The reported data indicate that there may be some inventories that could be shifted to the United States.

Production alternatives

*** responding Turkish producers reported that they produced other products (***) on the same equipment as HWR tubular products. The share of other products produced on the same equipment increased irregularly from *** percent in 2013 to *** percent in 2015. The reported data indicate that there were large amounts of production capacity for other products that could be shifted to produce HWR tubular products for sale to the United States.

Supply constraints

Turkish producers reported a number of supply constraints including: difficulties purchasing coils to produce subject merchandise in line with U.S. requirements, delays and logistics problems obtaining raw materials, reduced equipment capacity when producing special diameters and special lengths, and reduced capacity when firms produce a larger share of thinner walled and smaller diameter HWR tubular products.

[23] Turkish respondents' prehearing brief, pp. 15-16

Nonsubject imports

The largest source of imports from nonsubject countries during 2013-15 was Canada. Imports from Canada accounted for 81.4 percent of imports of HWR tubular products from nonsubject countries in 2015. Other reported nonsubject country import sources were Italy and Japan. Nonsubject imports were 13.3 percent of apparent consumption (by quantity) in 2015.

New suppliers

Six of 35 responding purchasers indicated that new suppliers have entered the U.S. market since January 1, 2013. Three purchasers cited Axis (a U.S. producer), and one each cited Searing (a U.S. producer), Hanwa Steel (a Japanese steel trading firm), and "new importers" of product from unspecified foreign mills.

U.S. demand

Based on available information, the overall demand for HWR tubular products is likely to experience small-to-moderate changes in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the small-to-moderate cost share of HWR tubular products in most end-use applications.

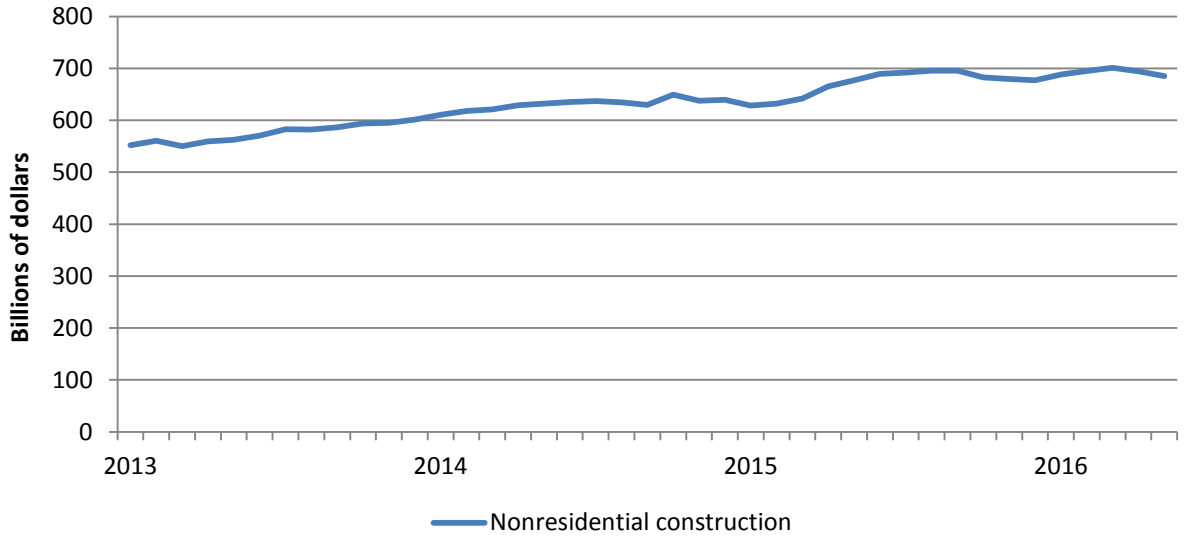
HWR tubular products are mainly used in nonresidential construction and in the production of equipment, including agricultural and construction equipment. Petitioners report that demand for HWR tubular products is closely correlated with nonresidential construction.[24] Figure II-1 presents seasonally adjusted annualized value of nonresidential construction, which has increased relatively consistently since January 2013. Figure II-2 presents actual monthly spending on nonresidential construction from January 2013 through May 2016, and reflects seasonal fluctuations. Mexican respondents claim that U.S. demand for HWR tubular products is increasing in "construction, heavy equipment, trucks and trailers, and agricultural equipment."[25] They added that the construction industry's concern for safety and strength has led to increased use of steel in construction, particularly HWR tubular products.[26]

[24] Hearing transcript, p. 33 (Muth).

[25] Mexican respondents' prehearing brief, p.3. Construction increased 2.8 percent between May 2015 and May 2016, p. 4. Agricultural equipment demand is expected to increase, p. 6.

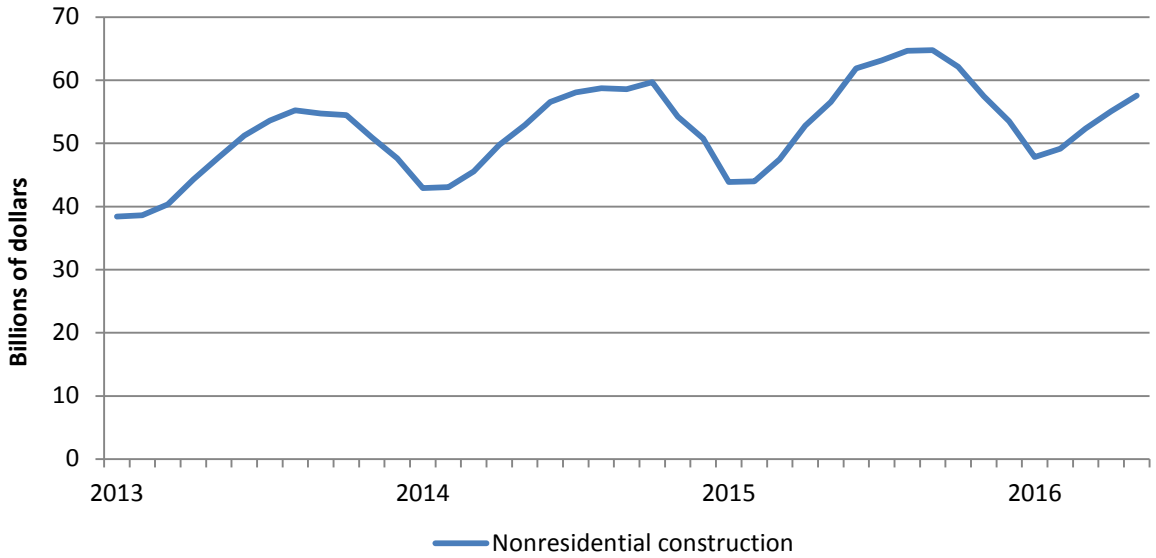
[26] Mexican respondents' postconference brief, p. 7.

Figure II-1
Nonresidential construction: Annual value of construction put in place - seasonally adjusted annual rate, January 2013 to May 2016



Source: https://www.census.gov/construction/c30/historical_data.html retrieved July 13, 2016.

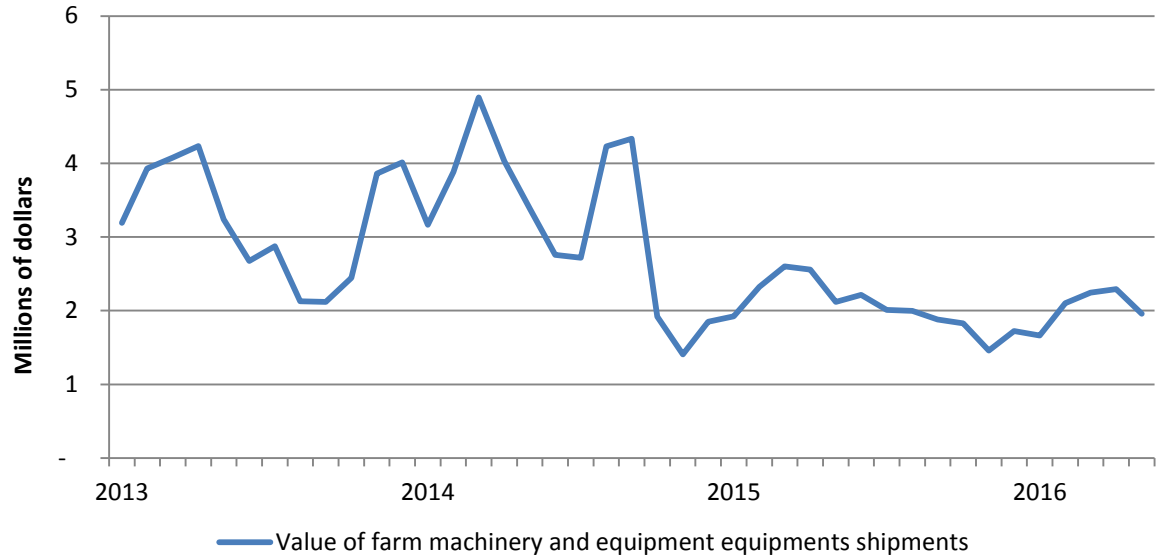
Figure II-2
Nonresidential construction: Monthly value of construction put in place - not seasonally adjusted, January 2013 to May 2016



Source: https://www.census.gov/construction/c30/historical_data.html retrieved July 13, 2016.

While demand for construction has risen relatively steadily since January 2013, demand for agricultural equipment has declined since September 2014 (figure II-3).[27] On average, demand for agricultural equipment was lower in October 2014 through May 2016 than it was in January 2013 through September 2014. Respondents contend that only U.S. or Canadian producers of HWR tubular products sell to agricultural equipment producers.[28] [29]

Figure II-3
Farm machinery and equipment shipments: Monthly value of U.S. farm machinery and equipment shipments - not seasonally adjusted, January 2013 to May 2016



Source: http://www.census.gov/manufacturing/m3/index.html retrieved July 18, 2016.

Mexican respondents contend that imports from Mexico declined in 2015 in response to declining demand and increased focus on the Mexican market.[30] Turkish respondents contend that imports from other subject countries declined in 2015 because demand declined and because purchasers were reluctant to purchase in a falling market, particularly when lead times are long.[31]

[27] In its 2015 Annual Report, Deere reported that its U.S. sales of large agricultural equipment peaked in 2013 and that "the current downturn has been quite dramatic," the largest percentage downturn since the 1930s. Mexican respondents' posthearing brief, exh. 11, Deere & Company, Annual Report 2015, p. 4.

[28] Hearing transcript p. 161-162, (Gurley, Nolan)

[29] ***. ***.

[30] Hearing transcript, pp. 115-116 (Stoupignan).

[31] Hearing transcript, pp. 135-136 (Nolan).

End uses

U.S. demand for HWR tubular products depends on nonresidential construction activity and the demand for other U.S.-produced downstream products. Reported end uses include: construction (nonresidential construction, columns of buildings, and structural); equipment production (agricultural, heavy, and industrial equipment, boom crane, scissor lift, rail cars, trailer hitches, and waste containers); original equipment manufacturers ("OEM") production; fabrication; ornamental;[32] and energy infrastructure.

Cost share

The share accounted for by HWR tubular products of the end-use applications in which they are used varies widely. Reported cost shares for some end uses were as follows:

- Construction (2 to 30 percent)[33]
- Agricultural equipment (0.1 to 25 percent)
- Boom crane/scissor lift (3 percent)
- Industrial equipment/OEM (5 to 15 percent)
- Slideouts[34]/chassis (10-30 percent)
- Axles (12 percent)
- Ornamental iron fencing/structural steel (20 percent)
- Trailer parts/hitches/three point implements[35] (20 to 50 percent)
- Energy infrastructure (30 percent)
- Fabrication (50 percent)
- Tower crane/pedestrian bridges (50 to 60 percent)
- Columns of buildings (95 percent)

Petitioners estimated that the cost of HWR tubular products made up 2 to 5 percent of the cost of construction projects in which they were used and from 10 to 80 percent of the cost of manufactured products depending on the end use.[36] Petitioners reported that 40 to 50 percent of HWR tubular products are used in the construction industry and the remainder for the fabrication of equipment. Smaller sized HWR tubular products were more commonly used in equipment manufacturing and larger sized HWR tubular products tend to be used in construction.[37]

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[32] HWR tubular products are sometimes used in the same "ornamental" (nonstructural) end uses as light-walled rectangular tubular products.

[33] One firm (***) reported that the cost share of HWR tubular products in construction, ***. When asked to explain this response, it reported that ***. Staff telephone interview with *** June 22, 2016.

[34] Slideouts are used in recreational vehicles to increase the size of rooms.

[35] Three point implements are implements such as plows, mowers, etc. that are attached to tractors.

[36] Conference transcript, pp. 64-65 (Muth, Baker, and Seeger).

[37] Conference transcript, pp. 63-64 (Muth).

Business cycles

Five of 14 responding U.S. producers, 10 of 29 importers, and 14 of 34 purchasers indicated that the HWR tubular products market was subject to business cycles or other distinct conditions of competition. Specifically, firms reported that the HWR tubular products market was subject to fluctuations in steel prices (including seasonal changes in coil prices); construction demand; seasonal demand (for construction and farm equipment); and exchange rate fluctuations (an appreciating dollar makes exports more difficult).[38]

Four U.S. producers and five importers reported changes in conditions of competition since 2013. Three of the four producers reported more imports and one producer reported that slow construction growth and that low agricultural commodity prices were affecting demand. Three of the five importers reported increased demand, one importer reported that excess steel production in China is influencing the global market, and one importer reported increased supply. Ten purchasers reported changes in conditions of competition including: an appreciating dollar increases imports and reduces exports of downstream products; increased imports; U.S. producers' prices now better reflect mill costs; and increased domestic capacity.

Inventory cycles

One of six U.S. producers, 10 of 11 importers, and eight of 20 purchasers indicated that the HWR tubular products market was subject to inventory cycles. Responding firms clarified that inventory cycles were related to seasonal demand (inventories increase during peak season); price fluctuations ("all steel commodities" are subject to inventory cycles); year-end inventory drawdowns (due to state property taxes); and mills produce different types of HWR tubular products on a cycle, and as a result, there may be inventory gaps if they do not forecast demand correctly.

Purchasers were requested to report their year-end inventories for 2013, 2014, and 2015 (table II-4). Purchasers' reported inventories from all sources increased by 15.3 percent between the end of 2013 and the end of 2014, and then fell by 16.2 percent between 2014 and 2015. Inventories of domestic product increased by 9.7 percent between the end of 2013 and the end of 2014 and then decreased by 16.4 percent between 2014 and 2015. U.S. HWR tubular products accounted for 75.5 percent of all purchaser inventories in 2013, 71.8 of inventories in 2014, and 71.6 percent of inventories in 2015. Inventories of product from subject countries increased by 37.0 percent between the end of 2013 and the end of 2014 and then fell by 19.2 percent between 2014 and 2015. Purchasers' inventories were higher in 2014 than in 2013 or 2015 for product from the United States, Korea, Mexico, Turkey, Canada, and unknown sources.

[38] The variation in demand for nonresidential construction within each year is shown in figure II-2.

Table II-4
HWR tubular products: Purchaser yearend inventories of HWR tubular products from the United States, subject countries, and nonsubject countries, 2013-15

Purchaser inventories of HWR tubes produced in--	2013	2014	2015
	Quantity (in short tons)		
United States	64,753	71,062	59,378
Korea	4,894	6,164	5,916
Mexico	2,117	2,417	1,589
Turkey	40	1,079	305
Total subject	7,051	9,660	7,810
Canada (nonsubject)	1,500	1,783	1,623
All other countries[1]	850	665	1,643
Sources unknown	11,648	15,787	12,440
Total (all purchasers)	85,802	98,957	82,894

[1] Other countries include Austria, Germany, Japan, and the UK.

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

Purchasers were asked to identify factors affecting inventory level decisions. Responses included: demand; supply to cover multiple months of sales; longer lead times for imports; anticipated price increases (increased inventories) and anticipated price decreases (decreased inventories); limiting year-end inventories; demand, supply, space, and price; and market acceptance,[39] spread in costs, and target pricing strategies.

In the preliminary phase of these investigations, petitioners asserted that purchases in 2015 were low because distributors had increased inventories with imports of low-priced subject HWR tubular products in 2014.[40] According to petitioners, inventories increased by 10 percent between January and November 2014.[41] Petitioners and respondents agree that when the price of steel is declining, distributors reduce their purchases to avoid investing in inventories that will have less value if the price of steel falls further.[42] Respondents assert that demand for HWR tubular products fell in the first half of 2015 because the price of hot-rolled coils (an input) fell. This decline led distributors to purchase less HWR tubular products in anticipation of even lower prices in the future.[43] Respondents reported that as the price of hot-rolled steel has increased in 2016, distributors will seek to build inventories before prices

[39] Market acceptance may determine the sources of inventories rather than the amount held.

[40] Conference transcript, pp. 51-52 (Schagrin). Mexican respondents contest this assertion and dispute the claim that the distributors' inventories increased. Mexican respondents' postconference brief, p. 22.

[41] Petitioners' postconference brief, p. 28.

[42] Conference transcript, p. 66 (Montgomery); hearing transcript, p. 107-109 (McManus).

[43] Mexican respondents' postconference brief, p. 10. Turkish respondents' postconference brief, p. 4.

increase even more.[44] Almost all purchasers that reported inventories were distributors. Therefore, inventories of distributors have not been reported separately.[45]

Demand trends

Seven of 15 responding U.S. producers reported an increase in U.S. demand for HWR tubular products since January 1, 2013 (table II-5). Importer responses were mixed, as 12 reported that demand fluctuated, eight reported that demand increased, four reported that demand decreased, and three reported no change in demand. Most purchasers reported that demand fluctuated, and most of the remainder reported that demand had decreased. Purchasers were also asked how demand for their products made from HWR tubular products had changed since 2013. Three of the eight responding purchasers reported that demand had increased, two reported that demand had fluctuated, and two reported decreased demand and one no change in demand.

Table II-5
HWR tubular products: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	7	4	1	3
Importers	8	3	4	12
Purchasers	2	3	8	14
Demand outside the United States				
U.S. producers	2	0	1	2
Importers	4	3	3	8
Purchasers	0	0	5	8
Demand for purchasers' final products				
Purchasers	3	1	2	2

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

When asked about demand outside the United States, the most common response was that demand had fluctuated (18 firms). Nine firms reported that demand had decreased, six firms reported that demand had increased, and three reported that demand outside the United States had not changed.

Substitute products

Most importers (20 of 27) and purchasers (17 of 28) reported that there were no substitutes for HWR tubular products.[46] In contrast, most producers (7 of 12) reported that there were substitutes. Firms reporting substitutes for HWR tubular products identified

[44] Hearing transcript, pp. 108-09 (McManus).
[45] ***.
[46] *** responded both that there were substitutes and that there were not substitutes but since it listed a substitute, it is included only with those reporting there are substitutes.

structural pipe, round pipe, wide flange beams, plate, beams, angles, and concrete.[47] HWR tubular products are more efficient than structural beams in load bearing applications.[48] However, structural beams are necessary for buildings that are more than 30 stories tall.[49] Substitutability of HWR tubular products used for construction applications is limited in the short run because (1) different structural elements provide different structural characteristics and (2) because the type of structural element is determined in the design phase rather than the construction phase.[50]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported HWR tubular products depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is high degree of substitutability between domestically produced HWR tubular products and HWR tubular products imported from subject sources.

Lead times

U.S. producers primarily sell HWR tubular products from inventories, while imports from Korea and Turkey are primarily produced-to-order, and most Mexican product is sold from foreign inventories (table II-6).

Table II-6
HWR tubular products: Share of U.S. producers and importers' shipments

Manner order met	U.S. producers	U.S. importers		
		Korea	Mexico	Turkey
	Share of commercial shipments (percent)			
Produced to order	35.9	***	***	***
From U.S. inventories	64.1	***	***	***
From foreign inventories		***	***	***

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

U.S. producers reported that 64.1 percent of their commercial shipments were from inventories, with lead times ranging from 1 to 30 days. Eight of the 12 responding producers reported lead times for product from inventories of five or fewer days. U.S. and Mexican lead

[47] Structural pipe is round, beams are "H" or "I" shaped, and angles are "L" shaped.
[48] Hearing transcript, p. 59 (Muth).
[49] Hearing transcript, p. 85 (Schagrin).
[50] Petitioners report that the construction industry began to shift from using structural beams to using HWR tubular products in the late 1980s and early 1990s. Demand for HWR tubular products has increased since then as the HWR tubular products were promoted and engineering solutions were developed. Hearing transcript, pp. 84-85 (Muth).

times for produced to order HWR tubular products tended to be shorter than those for Korea and Turkey as shown in the following tabulation.

Country	Number reporting	Range	Typical range	Number in typical range
United States	14	10-90	10-30	10
Korea	8	90-120	120	5
Mexico	5	15-45	15-30	4
Turkey	6	60-150	90-120	4

Lead times for Korean product from U.S. inventories ***. Lead times for inventories held in Mexico were reported to be 10 days by *** responding importers, and lead time for product held in U.S. inventories ranged from *** days for Mexican product. ***.

Knowledge of country sources

Thirty-four purchasers indicated they had marketing/pricing knowledge of domestic HWR tubular products. With respect to imports of HWR tubular products, 19 purchasers had knowledge of Korean, 15 of Mexican, 8 of Turkish, 13 of nonsubject Canadian, and 5 of other nonsubject countries' HWR tubular products.

As shown in table II-7, most purchasers and their customers either sometimes or never make purchasing decisions based on the producer or country of origin. Two of the purchasers reported that they always makes decisions based on the manufacturer elaborated that they used "preferred" or "historic" suppliers. Other reasons cited for producer preference included: short lead times for domestic sources; prequalified suppliers; customer requests for domestic or specific mill; want to know name of producing mill; product quality; lead times/proprietary sizes/price; specific locations that impact supplier decisions; some customers want to know the producer; buy under contract with producer; mill reputation; availability; and predetermined purchase levels. No purchaser explained why it "always" purchased based on country. Reasons firms cited for either "usually" or "sometimes" purchasing based on country of origin included: prefer domestic; domestic is sometimes required; some customers require domestic; need both domestic and import; limits on imports; more comfortable with some countries than with others; purchase from NAFTA and WTO countries; consider acceptance in the market; do not buy from China; and do not buy from Pakistan.

Table II-7
HWR tubular products: Purchasing decisions based on producer and country of origin

Purchaser/customer decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	5	10	15	5
Purchaser's customers make decision based on producer	0	1	20	9
Purchaser makes decision based on country	2	8	18	7
Purchaser's customers make decision based on country	0	1	25	5

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

Factors affecting purchasing decisions

The most often cited top three factors firms consider in their purchasing decisions for HWR tubular products were price (28 firms), quality (26 firms), and availability (24 firms), as shown in table II-8. Quality was the most frequently cited first-most important factor (cited by 14 firms) followed by price (10 firms); price was the most frequently reported second-most important factor (12 firms); and availability was the most frequently reported third-most important factor (12 firms).

Table II-8
HWR tubular products: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Factor	First	Second	Third[1]	Total
Quality	14	8	4	26
Price	10	12	6	28
Availability/access	4	8	12	24
Traditional supplier/relationship with supplier/contracts	3	0	2	5
Product range/size range	2	4	3	9
Service	0	1	2	3
On time delivery/lead time	0	1	2	3
Other[2]	1	0	1	2

[1] Two purchasers reported only two purchasing factors.
[2] Other factors include trust for first factor and strong channels of communication for third factor.

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

Purchasers were requested to list the factors that determine the quality of HWR tubular products. Quality factors included: meeting ASTM standards; surface condition (rust, dents, clean, damage in transit, paintable, and surface preparation); shape tolerance (straight, correct size, thickness tolerance, corner radius, squaring, and dimensional quality); seam quality (no weld scarfing); steel grade (chemistry and tensile); mechanical/physical properties (formable); yield; consistency; paperwork (legibility, certification matching specifications, and traceability); uniform packaging; and market perception.

The majority of purchasers (23 of 35) reported that they usually purchase the lowest-priced product; 10 reported they sometimes purchased the lowest-price product; and 2 reported that they always purchased the lowest-price product.

When asked if they purchased HWR tubular products from one source, although a comparable product was available at a lower price from another source, 16 purchasers reported reasons including: availability; quality; lead/delivery time; domestic relationship and logistics; some mills will ship small orders; familiarity/acceptability of mill; Mexico offers quicker delivery than Korea or Turkey; buy all in North America; source only part of metric tube to low cost supplier; and do not buy Chinese because of quality concerns.

Seven of 34 responding purchasers reported that certain types of product were only available from certain country sources. Products available only from certain sources included: the United States is the source for ASTM A-1085; some grades are only available in North America; Grade A is not available from U.S. sources; Austria sells metric tubing; and gauges greater than 0.650 are available only from Japan.

Importance of specified purchase factors

Purchasers were asked to rate the importance of 16 factors in their purchasing decisions (table II-9). The factors rated as very important by more than half of responding purchasers were quality meets industry standards, price, and product consistency (31 each), availability (30), reliability of supply (29), delivery time (25), and product range (20). More purchasers reported that extension of credit, minimum quantity requirement, and packaging were not important than reported that they were very important.

Table II-9
HWR tubular products: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Very important	Somewhat important	Not important
Availability	30	5	0
Delivery terms	14	20	1
Delivery time	25	10	0
Discounts offered	17	17	1
Expected change in price of hot-rolled steel coil	16	13	6
Extension of credit	4	17	14
Minimum quantity requirements	4	19	12
Packaging	3	24	7
Price	31	4	0
Product consistency	31	4	0
Product range	20	16	0
Quality exceeds industry standards	8	23	5
Quality meets industry standards	31	3	1
Reliability of supply	29	5	0
Technical support/service	10	23	3
U.S. transportation costs	15	17	2

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

Supplier certification

Fourteen of 33 responding purchasers require their suppliers to become certified or qualified to sell HWR tubular products to their firm. Purchasers reported that the time to qualify a new supplier ranged from 1 to 120 days. One purchaser reported that domestic and foreign suppliers had failed in their attempt to qualify product, or had lost their approved status since 2013. It reported that some domestic suppliers and some importers do not fit its needs but did not identify a specific firm.

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2013 (table II-10). Reasons firms gave for increasing purchase of U.S. product included availability, shorter lead times, and growing demand caused by either growth in the market, firm growth, or because they began selling HWR tubular products. One firm reduced its purchase of U.S. HWR tubular products because of more competitive offers for imports, ***, and it increased its purchases of Korean and Mexican product. Five firms gave reasons for

increasing purchases from Korea and Mexico. Reasons include cost; minor increase from no purchases; increased needs; these sources became a consistent vendor; and economic growth.[51] Three purchasers reported reasons for decreased purchase of Mexican and Korean product including: reduced demand; market strategies and ***; and purchased domestic for pricing and availability.

Four purchasers gave reasons for increase purchases of Canadian and other nonsubject product including: the changes in the value of the Canadian dollar reduced cost; pricing/availability/demand; new products; and a Canadian mill produces more flash-removed items.[52] Three purchasers reported reasons for decreased purchase of HWR tubular products from nonsubject countries. Reasons include availability of domestic material with shorter lead times; pricing/availability/demand; and competitiveness. Two firms reported why they had increased purchases from all other sources. Reasons include new products and better priced ***.

Table II-10
HWR tubular products: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	3	2	8	12	9
Korea	10	4	6	3	7
Mexico	14	4	3	2	4
Turkey	19	0	0	0	7
Canada	12	1	4	9	4
Other	12	2	4	0	7
Sources unknown	15	3	1	4	2

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

Importance of purchasing domestic product

Twenty-six responding purchasers reported that purchasing U.S.-produced product was not an important factor in most of their purchasing decisions (table II-11). Seventeen of these reported that U.S.-produced HWR tubular products was not important for 90 percent or more of their purchases. Nineteen reported that domestic product was required by law (for 1 to 15 percent of their purchases; ten of these firms reported it was required for 5 percent or less of all purchases). Fifteen reported that it was required by their customers (for 1 to 75 percent of their purchases; eight of these firms reported it was required for 5 percent or less of all purchases). Two reported other preferences for domestic product (covering 1 to 2 percent of their purchases). One firm explained that it preferred domestic HWR tubular products because its customers preferred it.

[51] Only three firms reported reasons for purchases of Turkish HWR tubular products. All of these firms reported that their purchases of Turkish material fluctuated. Reasons given included price/availability/ demand, competitiveness, and business trends.

[52] Flash is the ridge on the inside and outside of a tube that occurs where it is welded.

Table II-11
HWR tubular products: Number of firms reporting importance of purchasing U.S.-produced HWR tubular products by reason and the share of product covered by the reasons

Importance of purchasing U.S. produced HWR tubular products	Number reporting	Range (percent)	Typical range (percent)	Number reporting typical range
Some sales with no domestic requirement	26	25-100	90-100	17
Required by law	19	1-15	1-6	11
Required by customers	15	1-75	1-10	11
Required by other	2	1-2	--	--
Total	26	--	--	--

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

Comparisons of domestic products, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing HWR tubular products produced in the United States, subject countries, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 16 factors (table II-12) for which they were asked to rate the importance.

Most responding purchasers reported that HWR tubular products from the United States and Korea were comparable on 11 factors. Most responding purchasers reported that U.S. product was superior on availability, delivery time, and technical support/service. Most reported that U.S. product was inferior on price. Nine reported that U.S. product was superior for reliability of supply, eight reported that U.S. and Korean product was comparable and two reported that U.S. product was inferior.

Half or more purchasers reported that HWR tubular products from the United States and Mexico were comparable on 12 of the 16 factors. Half or more purchasers reported that U.S. product was superior on availability, delivery time, and technical support/customer service; and most reported that U.S. product was inferior on price.

Table II-12
HWR tubular products: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. Korea			U.S. vs. Mexico			U.S. vs. Turkey		
	S	C	I	S	C	I	S	C	I
Availability	10	8	1	8	7	1	5	2	0
Delivery terms	8	10	1	5	10	1	3	4	0
Delivery time	16	2	1	11	3	2	6	1	0
Discounts offered	5	11	3	1	8	7	0	4	3
Expected change in price of hot-rolled steel coil	1	14	3	0	12	3	0	3	3
Extension of credit	1	18	0	1	15	0	1	6	0
Minimum quantity requirements	7	11	1	3	13	0	1	6	0
Packaging	0	19	0	0	16	0	0	7	0
Price[1]	3	1	14	1	3	12	1	1	5
Product consistency	1	16	2	2	14	0	1	6	0
Product range	7	11	1	6	10	0	4	3	0
Quality exceeds industry standards	0	18	1	4	12	0	1	6	0
Quality meets industry standards	0	19	0	2	14	0	1	6	0
Reliability of supply	9	8	2	6	8	2	4	3	0
Technical support/service	13	5	1	8	7	1	6	1	0
U.S. transportation costs[1]	6	12	1	5	8	3	5	2	0
Factor	**Korea vs. Mexico**			**Korea vs. Turkey**			**Mexico vs. Turkey**		
	S	C	I	S	C	I	S	C	I
Availability	0	5	6	0	4	1	3	2	0
Delivery terms	0	7	4	0	4	1	2	3	0
Delivery time	0	4	7	0	4	1	3	2	0
Discounts offered	1	9	1	0	4	1	0	4	1
Expected change in price of hot-rolled steel coil	0	10	0	0	4	0	0	4	0
Extension of credit	0	11	0	0	5	0	0	5	0
Minimum quantity requirements	0	9	2	0	4	1	0	5	0
Packaging	0	11	0	0	5	0	0	5	0
Price[1]	2	8	1	0	5	0	0	4	1
Product consistency	3	8	0	0	5	0	0	5	0
Product range	0	11	1	0	5	0	0	5	0
Quality exceeds industry standards	0	11	0	0	5	0	0	5	0
Quality meets industry standards	2	9	0	0	5	0	0	5	0
Reliability of supply	0	10	1	0	5	0	1	4	0
Technical support/service	0	10	1	0	4	1	0	5	0
U.S. transportation costs[1]	0	8	2	0	4	1	0	5	0

Table continued on next page.

Table II-12--Continued
HWR tubular products: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. Canada			U.S. vs. other nonsubject			Korea vs. other nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	0	14	0	4	4	0	0	4	0
Delivery terms	0	14	0	3	5	0	0	4	0
Delivery time	2	11	1	5	3	0	0	4	0
Discounts offered	0	14	0	0	6	2	0	4	0
Expected change in price of hot-rolled steel coil	0	13	0	0	7	0	0	3	0
Extension of credit	0	14	0	0	8	0	0	4	0
Minimum quantity requirements	0	14	0	2	6	0	0	4	0
Packaging	0	14	0	0	8	0	0	4	0
Price[1]	0	13	1	1	2	5	0	4	0
Product consistency	0	14	0	0	8	0	0	4	0
Product range	0	14	0	0	8	0	0	4	0
Quality exceeds industry standards	0	14	0	1	7	0	0	4	0
Quality meets industry standards	0	14	0	0	8	0	0	4	0
Reliability of supply	1	13	0	2	6	0	0	4	0
Technical support/service	1	13	0	4	4	0	0	4	0
U.S. transportation costs[1]	3	10	1	1	6	1	0	4	0

Factor	Mexico vs. other nonsubject			Turkey vs. other nonsubject			Canada vs. other nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	0	4	0	0	2	0	1	2	0
Delivery terms	0	4	0	0	2	0	1	2	0
Delivery time	0	3	1	0	2	0	1	2	0
Discounts offered	0	4	0	0	2	0	1	2	0
Expected change in price of hot-rolled steel Coil	0	3	0	0	1	0	0	2	0
Extension of credit	0	4	0	0	2	0	0	3	0
Minimum quantity requirements	0	4	0	0	2	0	0	3	0
Packaging	0	4	0	0	2	0	0	3	0
Price[1]	0	4	0	0	2	0	0	2	1
Product consistency	0	4	0	0	2	0	0	3	0
Product range	0	3	1	0	2	0	0	3	0
Quality exceeds industry standards	0	4	0	0	2	0	0	3	0
Quality meets industry standards	1	3	0	0	2	0	0	3	0
Reliability of supply	0	3	1	0	2	0	0	3	0
Technical support/service	0	4	0	0	2	0	0	3	0
U.S. transportation costs[1]	0	4	0	0	2	0	0	3	0

[1] A rating of superior means that price/U.S. transportation costs is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

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

Half or more responding purchasers reported that HWR tubular products from the United States and Turkey were comparable on nine factors. Most reported that U.S. product was superior for availability, delivery time, product range, reliability of supply, technical support/service, and U.S. transportation costs; and most purchasers reported that Turkish product was superior on price.

Most purchasers comparing product from two subject countries reported that they were comparable for most factors. Firms comparing product from Korea with product from Mexico typically reported that product from Korea was inferior for availability and delivery time, with most responding firms reporting they were comparable for all other factors. Most responding firms reported that product from Korea and Turkey was comparable for all factors. Most responding purchasers reported product from Mexico was superior to product from Turkey for availability and delivery times, but that these products were comparable for all other factors.

Most purchasers reported that U.S. and Canadian (nonsubject) HWR tubular products were comparable for all factors. Similarly, most purchasers reported that HWR tubular products from Korea, Mexico, and Turkey were comparable with products from nonsubject countries for all factors. Most purchasers reported that U.S. and other nonsubject HWR tubular products were comparable for most factors, but that U.S. product was superior for delivery time and availability and that U.S. product was inferior on price.

Comparison of U.S.-produced and imported HWR tubular products

In order to determine whether U.S.-produced HWR tubular products can generally be used in the same applications as imports from Korea, Mexico, and Turkey, U.S. producers, importers, and purchasers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-13, all U.S. producers, and most importers and purchasers reported that product from all country pairs was either always or frequently interchangeable. Reported differences that affect interchangeability included customer preference for material that is made and melted in the United States, firms had mechanical issues with bending Turkish material, and U.S. material does not have ***.[53]

[53] This firm noted product with appropriate *** is available from nonsubject countries other than Canada.

Table II-13
HWR tubular products: Interchangeability between HWR tubular products produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. Korea	10	4	0	0	7	8	1	1	10	9	2	0
U.S. vs. Mexico	10	4	0	0	5	5	1	0	7	11	2	0
U.S. vs. Turkey	10	4	0	0	7	6	2	0	4	6	2	0
Subject countries comparisons:												
Korea vs. Mexico	10	3	0	0	6	5	0	0	7	7	1	0
Korea vs. Turkey	10	3	0	0	5	7	0	1	5	4	1	0
Mexico vs. Turkey	10	3	0	0	5	4	0	0	5	4	1	0
Nonsubject countries comparisons:												
U.S. vs. Canada	8	4	0	0	5	4	0	0	12	8	0	0
Korea vs. Canada	8	3	0	0	5	4	0	0	6	4	0	0
Mexico vs. Canada	8	3	0	0	5	4	0	0	5	3	0	0
Turkey vs. Canada	8	3	0	0	5	3	0	0	4	3	0	0
U.S. vs. other nonsubject	10	2	0	0	4	6	1	1	6	2	1	0
Korea vs. other nonsubject	10	2	0	0	4	6	0	0	6	1	0	0
Mexico vs. other nonsubject	10	2	0	0	4	5	0	0	4	2	0	0
Turkey vs. other nonsubject	10	2	0	0	4	6	0	0	4	1	0	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

As can be seen from table II-14, most responding purchasers reported that domestically produced HWR tubular products as well as HWR tubular products from subject countries, Canada, and other nonsubject countries "always" met minimum quality specifications.

Table II-14
HWR tubular products: Ability to meet minimum quality specifications, by source[1]

Source	Always	Usually	Sometimes	Rarely or never
United States	21	9	1	0
Korea	12	6	0	0
Mexico	11	4	1	0
Turkey	5	2	1	0
Canada (nonsubject)	12	3	0	0
Other nonsubject	3	2	0	0

[1] Purchasers were asked how often domestically produced or imported HWR tubular products meet minimum quality specifications for their own or their customers' uses.

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

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of HWR tubular products from the United States, subject, or nonsubject countries. As shown in table II-15, all U.S. producers reported that there were sometimes or never differences other than price for all country pairs except for product from United States compared to product from Korea, for which one producer reported

that there were always differences other than price.[54] Most responding importers and purchasers reported that there were sometimes or never differences other than price for all country pairs. Differences reported included: quality and availability; U.S. product and imports differ on logistics, time line, order size, order frequency, and product range; and U.S. product and that from other countries differ in ***.

Table II-15
HWR tubular products: Significance of differences other than price between HWR tubular products produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. Korea	1	0	5	8	1	5	7	5	5	2	7	6
U.S. vs. Mexico	0	0	6	8	0	3	4	4	5	1	9	4
U.S. vs. Turkey	0	0	5	9	1	2	6	5	4	1	2	4
Subject countries comparisons:												
Korea vs. Mexico	0	0	4	8	1	3	2	5	2	0	7	4
Korea vs. Turkey	0	0	4	8	0	2	2	7	2	0	2	4
Mexico vs. Turkey	0	0	4	8	0	2	2	5	2	0	2	4
Nonsubject countries comparisons:												
U.S. vs. Canada	0	0	5	6	0	2	2	5	4	2	3	7
Korea vs. Canada	0	0	4	6	0	3	3	4	2	0	3	3
Mexico vs. Canada	0	0	4	6	0	2	3	4	1	0	2	3
Turkey vs. Canada	0	0	4	6	0	2	3	5	1	0	1	3
U.S. vs. other nonsubject	0	0	4	8	1	3	2	5	3	1	2	2
Korea vs. other nonsubject	0	0	3	8	0	2	2	4	1	0	2	2
Mexico vs. other nonsubject	0	0	3	8	0	1	3	4	0	0	2	2
Turkey vs. other nonsubject	0	0	3	8	0	1	3	4	0	0	1	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Parties were encouraged to comment on these estimates, but no comments were provided.

U.S. supply elasticity

The domestic supply elasticity[55] for HWR tubular products measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of HWR tubular

[54] This producer (***) did not identify the differences other than price.
[55] A supply function is not defined in the case of a non-competitive market.

products. The elasticity of domestic 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 HWR tubular products. Analysis of these factors earlier indicates that the U.S. industry has the ability to make moderate-to-large increases or decreases in shipments to the U.S. market; an estimate in the range of 3 to 5 is suggested.

U.S. demand elasticity

The U.S. demand elasticity for HWR tubular products measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of HWR tubular products. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the HWR tubular products in the production of any downstream products. Based on the available information, the aggregate demand for HWR tubular products is likely to be inelastic; a range of -0.3 to -0.7 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[56] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/ discounts/promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced HWR tubular products and imported HWR tubular products is likely to be in the range of 2 to 5.

[56] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

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 subsidy rates and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* based on questionnaire responses (except as noted).

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to 15 firms based on information contained in the petition, and other available industry resources. Fourteen firms provided usable data on their productive operations. Staff believes that these responses represent virtually all U.S. production of HWR tubular products during 2015.

Table III-1 lists U.S. producers of HWR tubular products, their positions on the petition, their production locations, and their shares of reported domestic production in 2015. Atlas Tube, Bull Moose, and Independence are the largest domestic producers, accounting for nearly *** of reported domestic production in 2015. In addition, figure III-1 presents production locations of HWR tubular products in the United States.

Table III-1
HWR tubular products: U.S. producers of HWR tubular products, their positions on the petition, production locations, and shares of reported production, 2015

Firm	Position on petition	Production location(s)	Share of production (percent)
		Blytheville, AR	
		Chicago, IL	
Atlas Tube	Petitioner	Plymouth, MI	***
Axis	***	Bryan, TX	***
		Elkhart, IN	
Bull Moose	Petitioner	Trenton, GA	***
EVRAZ	Petitioner	Portland, OR	***
EXLTUBE	Mixed/Partial	North Kansas City, MO	***
		Northport, AL	
Hanna	***	Pekin, IL	***
Hannibal	Petitioner	Los Angeles, CA	***
		Chicago, IL	
		Decatur, AL	
		Marseilles, IL	
Independence	Petitioner	Trinity, AL	***
Leavitt	***	Chicago, IL	***
Maruichi	Petitioner	Santa Fe Springs, CA	***
		Cheyenne, WY	
Searing	Petitioner	Rancho Cucamonga, CA	***
Southland	Petitioner	Birmingham, AL	***
TMK	***	Geneva, NE	***
Vest	Petitioner	Los Angeles, CA	***
Total			100.0

Note.--On March 5, 2015, EVRAZ sold its structural tubing business (EVRAZ Oregon Steel Structural Tubing) that manufactured subject HWR tubular products to Maruichi Oregon Steel Tube, LLC ("Maruichi Oregon"). EVRAZ is therefore no longer a producer of the subject product. "EVRAZ NORTH AMERICA SELLS STRUCTURAL TUBING BUSINESS," press release by EVRAZ North America, a wholly owned subsidiary of EVRAZ plc, March 5, 2015.

Note.--*** and EXLTUBE have a mixed position on the petition. *** and EXLTUBE is not a petitioner in the case against Mexico. Petitioners' posthearing brief, p. 1.

Source: Compiled from data submitted in response to Commission questionnaires; hearing transcript, p. 52 (Schagrin).

Figure III-1
HWR tubular products: Locations of production in the United States

Atlas Tube
1: Chicago, IL
2: Plymouth, MI
3: Blytheville, AR
Axis
4: Bryan, TX
Bull Moose
5: Elkhart, IN
6: Trenton, GA
EVRAZ
7: Portland, OR
EXLTUBE
8: North Kansas City, MO
Hanna
9: Northport, AL
10: Pekin, IL
Hannibal
11: Los Angeles, CA
Independence
12: Chicago, IL
13: Marseilles, IL
14: Decatur, AL
15: Trinity, AL
Leavitt
16: Chicago, IL
Maruichi
17: Santa Fe Springs, CA
Searing
18: Rancho Cucamonga, CA
19: Cheyenne, WY
Southland
20: Birmingham, AL
TMK
21: Geneva, NE
Vest
22: Los Angeles, CA

Source: Compiled from data submitted in response to Commission questionnaires

Related firms

Table III-2 presents information on the responding U.S. producers' parent company or owner(s) and any related and/or affiliated firms. Four U.S. producers, Atlas Tube, Axis, Leavitt, and Maruichi, are related to other domestic and foreign producers of HWR tubular products. Atlas is related to Canadian producer Atlas Tube Canada ULC through a common parent company, Zekelman Industries, Inc. Axis is in the same corporate group as Prolamsa, a U.S. importer, as well as Prolamsa (Mexico), a producer and exporter of HWR tubular products in Mexico. Japanese firm Maruichi Steel Tube Ltd. is a shareholder of both Maruichi and Leavitt, which are also sister companies to Maruichi Oregon, the purchaser of EVRAZ's structural tubing business.

Table III-2
HWR tubular products: U.S. producers' ownership, related and/or affiliated firms

* * * * * * *

Tolling operations

Four responding U.S. producers reported being involved in toll agreements regarding the production of HWR tubular products:

- ***.
- ***.
- ***.
- ***.

Changes in operations

Producers were asked to report any changes in operations such as plant openings, plant closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns, production curtailments, or revised labor agreements since January 1, 2013. Such changes are presented in table III-3.

Table III-3
HWR tubular products: Reported changes in operations since January 1, 2013

Firm	Description
	Acquisitions
Bull Moose	In February 2016, Bull Moose acquired Manchester, an Iowa-based specialized trailers company.
	Plant openings
Axis	The facility in Bryan, TX began operations in 2014.
Independence	In December 2014, a new 290,000 square foot manufacturing facility in Trinity, AL began operations.
Searing	In December 2014, a new plant opened in Cheyenne, WY.
	Prolonged shutdowns or curtailments
Atlas Tube	In April 2015, the facility in Blytheville, AR was idled due to reduced production volume.
	Other
Bull Moose	***. In addition, Bull Moose announced that it will expand its North American headquarters in St. Louis, MO in August 2015.
EVRAZ	On March 5, 2015, EVRAZ sold its structural tubing business (EVRAZ Oregon Steel Structural Tubing) that manufactured HWR tubular products to Maruichi Oregon. Therefore, EVRAZ is no longer a producer of subject HWR tubular products.
EXLTUBE	***.
Southland	***.

Note.--***. ***.

Note.--***. ***.

Source: Compiled from data submitted in response to Commission questionnaires; Bull Moose Industries Acquires XL Specialized Trailers, http://www.prnewswire.com/news-releases/bull-moose-industries-acquires-xl-specialized-trailers-300215817.html, February 5, 2016; British Company to Expand Divisional Headquarters in Downtown St. Louis and Create New Jobs, Gov. Nixon Announces, http://www.bullmoosetube.com/british-company-expand-divisional-headquarters-downtown-st-louis-and-create-new-jobs-gov-nixon, July 8, 2016; Atlas Tube Not Closing Completely, http://www.blythevillecourier.com/story/2229944.html, September 10, 2015; History (Searing Industries), http://www.searingindustries.com/why-searing/history/, accessed on July 27, 2016; Independence Tube – Trinity Division, http://www.independencetube.com/trinity_directions, accessed on July 27, 2016; Axis Pipe and Tube, A Division of the Prolamsa Group, Breaks Ground for New Pipe and Tubular Products Facility, http://researchvalley.org/uncategorized/axis-pipe-and-tube-a-division-of-the-prolamsa-group-breaks-ground-for-new-pipe-and-tubular-products-facility/, August 23, 2016; "EVRAZ NORTH AMERICA SELLS STRUCTURAL TUBING BUSINESS," press release by EVRAZ North America, a wholly owned subsidiary of EVRAZ plc, March 5, 2015; ***.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

HWR tubular products

Table III-4 and figure III-2 present U.S. producers' production, capacity, and capacity utilization. Domestic producers' aggregate capacity decreased by 3.3 percent from 2013 to 2015 but was 2.8 percent higher during January to March 2016 than during January to March

2015. ***. Therefore, U.S. producers' aggregate capacity allocated to HWR tubular products decreased overall during 2013-15, despite *** by Axis, Independence, and Searing.

Reported production increased by 1.6 percent from 2013 to 2014, decreased by 11.4 percent from 2014 to 2015, but was 1.9 percent higher during January to March 2016 than during January to March 2015. Capacity utilization increased by 1.3 percentage points from 2013 to 2014, decreased by 5.8 percentage points from 2014 to 2015, and was 0.5 percentage points lower during January to March 2016 than during January to March 2015.

Table III-4
HWR tubular products: U.S. producers' production, capacity, and capacity utilization, 2013-15, January to March 2015, and January to March 2016

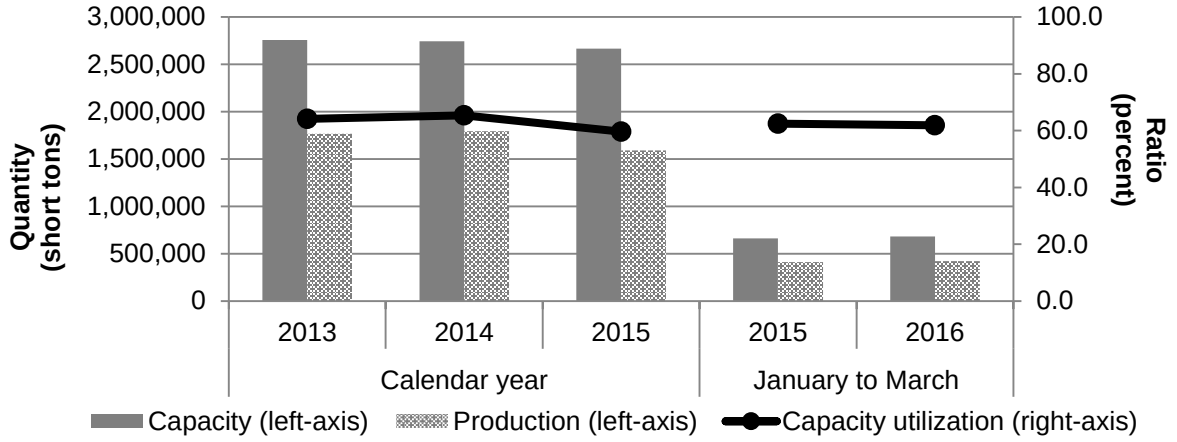
Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Capacity[1]	2,756,509	2,744,367	2,666,239	662,306	680,787
Production	1,766,821	1,794,886	1,590,394	413,232	421,201
	Ratio (percent)				
Capacity Utilization	64.1	65.4	59.6	62.4	61.9

[1] ***.

Note.--***; ***.

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

Figure III-2
HWR tubular products: U.S. producers' capacity, production, and capacity utilization, 2013-15, January to March 2015, and January to March 2016



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

Alternative products

As shown in table III-5, U.S. producers reported that a majority of their production consisted of HWR tubular products. Production of HWR tubular products accounted for 66.1 percent of total production of pipes and tubes produced on the same equipment as HWR tubular products during 2015. Four firms reported that they do not produce alternative products on the same equipment or using the same employees. Firms that reported producing out-of-scope items on the same equipment as HWR tubular products include ***. Total production of out-of-scope products accounted for 34.0 percent of pipes and tubes production using the same equipment during 2015. These out-of-scope products include ***.[1]

Table III-5
HWR tubular products: U.S. producers' overall capacity and production of out-of-scope products on the same equipment as HWR tubular products, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Overall capacity	3,996,687	4,109,544	4,075,851	1,042,302	1,018,895
Production:					
HWR tubular products	1,766,821	1,794,886	1,590,394	413,232	421,201
Out-of-scope rectangular tubular products	183,920	190,464	199,369	46,134	54,024
Other products	603,271	705,878	617,882	180,331	155,034
Total production	2,554,012	2,691,228	2,407,645	639,697	630,259
	Ratios and shares (percent)				
Capacity utilization	63.9	65.5	59.1	61.4	61.9
Share of production:					
HWR tubular products	69.2	66.7	66.1	64.6	66.8
Out-of-scope rectangular tubular products	7.2	7.1	8.3	7.2	8.6
Other products	23.6	26.2	25.7	28.2	24.6
Total production	100.0	100.0	100.0	100.0	100.0

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

Producers were asked to describe the constraint(s) that set the limit(s) of their production capacity. Four firms, *** noted that the running speed of each mill limits the steel forming capabilities. *** also explained that product mix demand and size adjustments based on customer specifications can limit production due to costly changeovers that cause machine

[1] Mexican producers contend that certain segments of the pipe and tube market, particularly oil country tubular goods, experienced a decline in demand. However, petitioners note that most domestic producers of HWR tubular products do not have licenses to produce API line pipe. Axis produces API line pipe ***. TMK also produces oil country tubular goods and line pipe, ***. Mexican respondents' prehearing brief, pp. 1-2; hearing transcript, pp. 81-82; petitioners' posthearing brief, exh. 5; ***; ***.

downtime. Other production constraints include work force availability, machine maintenance, the cutting process, and lack of demand due to imports.

Producers were also asked about their ability to switch production capacity between products. Ten firms reported that they have the ability to shift production capacity between HWR tubular products and out-of-scope products, which include ***.[2]

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. These data show that the quantity of U.S. producers' U.S. shipments increased by 0.3 percent from 2013 to 2014, decreased by 6.9 percent from 2014 to 2015, but was 5.2 percent higher during January to March 2016 than during January to March 2015.[3] [4] The value of U.S. producers' U.S. shipments increased by 3.7 percent from 2013 to 2014, decreased by 24.3 percent from 2014 to 2015, and was 19.6 percent lower during January to March 2016 than during January to March 2015. The average unit value of U.S. producers' U.S. shipments increased by 3.4 percent from 2013 to 2014, decreased by 18.7 percent from 2014 to 2015, and was 23.6 percent lower during January to March 2016 than during January to March 2015.

The quantity of U.S. producers' export shipments increased by 2.2 percent from 2013 to 2014, decreased by 41.9 percent from 2014 to 2015, and was 48.9 percent lower during January to March 2016 than during January to March 2015.[5] The value of U.S. producers' export shipments increased by 6.1 percent from 2013 to 2014, decreased by 50.6 percent from 2014 to 2015, and was 57.7 percent lower during January to March 2016 than during January to March 2015. The average unit value of U.S. producers' export shipments increased by 3.8 percent from 2013 to 2014, decreased by 15.0 percent from 2014 to 2015, and was 17.3 percent lower during January to March 2016 than during January to March 2015.

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[2] Petitioners also explained that the time needed to switch a mill from producing one product to another varies by each mill and depends on whether the change affects only diameter or also gauge. Petitioners' posthearing brief, p. A-9.

[3] Independence noted that ***. ***.

[4] In addition, Leavitt explained that it ***. ***.

[5] The decrease in export quantity is largely due to ***. While the majority of ***, the vast majority of *** shipments were commercial U.S. shipments during 2013-15. In addition, Atlas Tube contends that the reduction in exports to Canada were due to slowing market conditions in Western Canada in the oil shale markets. Hearing transcript, p. 53 (Muth).

Table III-6
HWR tubular products: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
Quantity (short tons)					
U.S. shipments	1,651,115	1,656,680	1,542,054	397,040	417,824
Export shipments[1]	122,744	125,504	72,953	25,172	12,873
Total shipments	1,773,859	1,782,184	1,615,007	422,212	430,697
Value (1,000 dollars)					
U.S. shipments	1,415,007	1,467,921	1,110,766	323,779	260,384
Export shipments	100,127	106,268	52,481	18,104	7,653
Total shipments	1,515,134	1,574,189	1,163,247	341,883	268,037
Unit value (dollars per short ton)					
U.S. shipments	857	886	720	815	623
Export shipments	816	847	719	719	595
Total shipments	854	883	720	810	622
Share of quantity (percent)					
U.S. shipments	93.1	93.0	95.5	94.0	97.0
Export shipments	6.9	7.0	4.5	6.0	3.0
Total shipments	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
U.S. shipments	93.4	93.2	95.5	94.7	97.1
Export shipments	6.6	6.8	4.5	5.3	2.9
Total shipments	100.0	100.0	100.0	100.0	100.0

[1] Reported export shipment destinations include ***.

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

*** of domestic producers' total shipments of HWR tubular products were U.S. commercial shipments. *** accounted for all reported internal consumption, while *** reported domestic transfers to related companies.

*** reported export shipments of HWR tubular products that they produced, which accounted for 4.5 percent of U.S. producers' total shipments during 2015. Principal export markets include ***.

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2013-15, January to March 2015, and January to March 2016**.** These data show that inventories increased by 5.3 percent from 2013 to 2014, decreased by 10.2 percent from 2014 to 2015, and were 12.7 percent lower during January to March 2016 than during January to March 2015. U.S. producers' inventories were equivalent to between 13.2 percent and 13.8 percent of U.S. producers' total shipments during 2013-15, and were 12.0 percent during January to March 2016, down from 14.1 percent in January to March 2015 (based on annualized shipment levels). All domestic producers reported holding end-of-period inventories of HWR tubular products. Nine producers held lower inventories in December 2015 than in December 2013, while five producers held higher inventories in December 2015 than in December 2013. Ten producers

held lower inventories in March 2016 than in March 2015, while four producers held higher inventories in March 2016 than in March 2015.[6]

Table III-7
HWR tubular products: U.S. producers' inventories, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
U.S. producers' end-of-period inventories	234,300	246,628	221,569	237,429	207,313
	Ratio (percent)				
Ratio of inventories to--					
U.S. production	13.3	13.7	13.9	14.4	12.3
U.S. shipments	14.2	14.9	14.4	14.9	12.4
Total shipments	13.2	13.8	13.7	14.1	12.0

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of HWR tubular products are presented in table III-8. U.S. producer Atlas Tube is related to Atlas Tube Canada through a related common parent. This parent imported HWR tubular products into the United States from Canada[7] and ***. *** also purchased HWR tubular products from nonsubject sources.[8] Additionally, *** reported importing HWR tubular products from ***.

Table III-8
HWR tubular products: U.S. producers' U.S. production, imports and purchases, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Only one U.S. producer, ***, reported purchases of HWR tubular products imported from a subject country, ***. The ratio of subject import purchases to U.S. production increased from *** percent to *** percent from 2013 to 2014, decreased to *** percent in 2015, and was *** percent during January to March 2016.

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[6] Maruichi's end-of-period inventories *** and EVRAZ's end-of-period inventories *** due to Maruichi's purchase of EVRAZ in March 2015.

[7] Atlas Tube noted that it treats the United States and Canada essentially as one market. It will fulfill a whole or partial order from its plants in both the United States and Canada depending on the particular situation. Atlas Tube may also export HWR tubular products to Atlas Tube Canada's customers in Canada if necessary. The HWR tubular products produced in both the U.S. and Canadian facilities are essentially the same. Therefore, the allocation between the United States and Canada depends on customer demand in a geographic area as well as logistical practicalities. Atlas Tube Canada was ***. Hearing transcript, pp. 34, 67-68 (Muth); Petitioners' posthearing brief, pp. 3, A-6.

[8] ***. ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-9 shows U.S. producers' employment-related data. U.S. producers' employment measured by production and related workers ("PRWs") increased by 6.7 percent from 2013 to 2014, decreased by 4.9 percent from 2014 to 2015, and was 3.0 percent lower during January to March 2016 than during January to March 2015. *** had the largest increase in the number of PRWs, increasing from *** PRWs in 2013 to *** PRWs in 2015. *** also had an increase in the number of PRWs, increasing from *** PRWs in 2013 to *** PRWs in 2015.[9] *** had the largest decrease in the number of PRWs, decreasing from *** PRWs in 2013 to *** PRWs in 2015.

Total hours worked by PRWs increased by 7.4 percent from 2013 to 2014, decreased by 4.5 percent from 2014 to 2015, and were 0.3 percent lower during January to March 2016 than during January to March 2015. U.S. producers' hourly wages increased by 3.2 percent from 2013 to 2014, decreased by 1.3 percent from 2014 to 2015, but were 0.6 percent higher during January to March 2016 than during January to March 2015.[10] [11]

Productivity decreased by 12.2 percent from 2013 to 2015 but was 2.2 percent higher during January to March 2016 than during January to March 2015.[12] Unit labor costs increased by 16.1 percent from 2013 to 2015 and were 1.6 percent lower during January to March 2016 than during January to March 2015.

[9] Both of these firms had an increase in the number of PRWs due to ***.

[10] EXLTUBE noted that ***. Email from ***, August 7, 2015.

[11] The new plant openings in 2014, particularly the commencement of Axis' operations, contributed to the increase in PRWs, total hours worked, and wages paid from 2013 to 2015. Axis' ***. ***.

[12] Petitioners contend that "certain members of the domestic industry are family-owned businesses that sacrificed profitability in order to maintain employment…One producer, for example, reported maintaining employment at a facility that was unprofitable, as well as paying individuals for full days notwithstanding that productivity may not have justified doing so…Another member of the domestic industry added seven safety supervisors to their staff notwithstanding decreasing profitability." Petitioners' posthearing brief, p. A-3.

Table III-9
HWR tubular products: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
Production and related workers (PRWs) (number)	1,115	1,190	1,132	1,160	1,125
Total hours worked (1,000 hours)	2,386	2,562	2,447	636	634
Hours worked per PRW (hours)	2,140	2,153	2,162	548	564
Wages paid (*$1,000)	67,349	74,627	70,355	18,036	18,086
Hourly wages (dollars per hour)	$28.23	$29.13	$28.75	$28.36	$28.53
Productivity (short tons per 1,000 hours)	740.5	700.6	649.9	649.7	664.4
Unit labor costs (dollars per short ton)	$38.12	$41.58	$44.24	$43.65	$42.94

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 issued importer questionnaires to 69 firms believed to be importers of subject HWR tubular products as well as to all U.S. producers of HWR tubular products.[1] Usable questionnaire responses were received from 36 companies, representing 76.6 percent of U.S. imports from subject countries and 76.4 percent of U.S. imports from nonsubject countries in 2015, under HTS subheadings 7306.61.10 and 7306.61.30.[2] In light of the less-than-complete coverage of data from subject and nonsubject countries provided in Commission questionnaires, import data in this report are based on official Commerce statistics for HWR tubular products. Table IV-1 lists all responding U.S. importers of HWR tubular products from Korea, Mexico, Turkey, and other sources, their headquarters, and their shares of U.S. imports during 2015.

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by ***, may have accounted for more than 0.1 percent of total imports under HTS subheadings 7306.61.10 and 7306.61.30 in 2015.

[2] As described in Part I, imports of stainless steel products from Finland and Taiwan under HTS subheading 7306.61.30 have been removed.

Table IV-1
HWR tubular products: U.S. importers, their headquarters, and share of total imports by source, 2015

* * * * * * *

U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of HWR tubular products from Korea, Mexico, and Turkey, as well as Canada and all other nonsubject sources.

Table IV-2
HWR tubular products: U.S. imports by source, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
Quantity (short tons)					
U.S. imports from.--					
Korea	57,347	83,326	76,183	24,992	10,976
Mexico	66,464	72,363	46,647	15,940	8,668
Turkey	48,123	63,353	36,294	14,183	1,332
Subtotal, subject sources	171,935	219,042	159,123	55,116	20,976
Canada	159,616	190,157	212,272	45,656	66,386
All other sources	20,343	25,432	48,362	17,388	5,972
Subtotal, nonsubject sources	179,959	215,589	260,634	63,044	72,359
Total U.S. imports	351,893	434,631	419,757	118,160	93,335
Value (1,000 dollars)[1]					
U.S. imports from.--					
Korea	38,601	56,619	46,221	16,769	5,200
Mexico	53,200	55,240	32,308	11,543	5,304
Turkey	35,876	46,973	24,486	10,052	605
Subtotal, subject sources	127,678	158,832	103,015	38,365	11,108
Canada	149,205	179,657	167,807	40,448	46,561
All other sources	20,054	24,971	46,130	18,034	4,324
Subtotal, nonsubject sources	169,259	204,627	213,937	58,482	50,885
Total U.S. imports	296,937	363,459	316,952	96,847	61,994
Unit value (dollars per short ton)					
U.S. imports from.--					
Korea	673	679	607	671	474
Mexico	800	763	693	724	612
Turkey	746	741	675	709	454
Subtotal, subject sources	743	725	647	696	530
Canada	935	945	791	886	701
All other sources	986	982	954	1,037	724
Subtotal, nonsubject sources	941	949	821	928	703
Total U.S. imports	844	836	755	820	664

Table continued on next page.

Table IV-2 -- Continued
HWR tubular products: U.S. imports by source, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Share of quantity (percent)				
U.S. imports from.--					
Korea	16.3	19.2	18.1	21.2	11.8
Mexico	18.9	16.6	11.1	13.5	9.3
Turkey	13.7	14.6	8.6	12.0	1.4
Subtotal, subject sources	48.9	50.4	37.9	46.6	22.5
Canada	45.4	43.8	50.6	38.6	71.1
All other sources	5.8	5.9	11.5	14.7	6.4
Subtotal, nonsubject sources	51.1	49.6	62.1	53.4	77.5
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. imports from.--					
Korea	13.0	15.6	14.6	17.3	8.4
Mexico	17.9	15.2	10.2	11.9	8.6
Turkey	12.1	12.9	7.7	10.4	1.0
Subtotal, subject sources	43.0	43.7	32.5	39.6	17.9
Canada	50.2	49.4	52.9	41.8	75.1
All other sources	6.8	6.9	14.6	18.6	7.0
Subtotal, nonsubject sources	57.0	56.3	67.5	60.4	82.1
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. production				
U.S. imports from.--					
Korea	3.2	4.6	4.8	6.0	2.6
Mexico	3.8	4.0	2.9	3.9	2.1
Turkey	2.7	3.5	2.3	3.4	0.3
Subtotal, subject sources	9.7	12.2	10.0	13.3	5.0
Canada	9.0	10.6	13.3	11.0	15.8
All other sources	1.2	1.4	3.0	4.2	1.4
Subtotal, nonsubject sources	10.2	12.0	16.4	15.3	17.2
Total U.S. imports	19.9	24.2	26.4	28.6	22.2

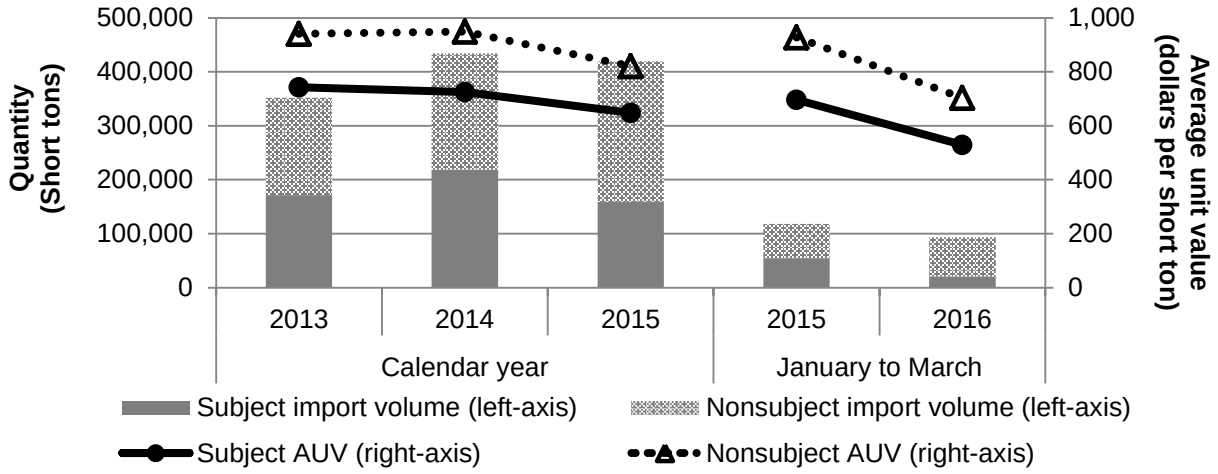
[1] Landed, duty-paid.

Note.--All other sources do not include data from Finland and Taiwan under HTS subheading 7306.61.30.

Note.--*** imported a small number of higher-value stainless steel tube products from Italy (less than one percent of total imports) during 2013-15. ***.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

Figure IV-1
HWR tubular products: U.S. imports by source, 2013-15, January to March 2015, and January to March 2016



Note.--All other sources do not include data from Finland and Taiwan under HTS subheading 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

The quantity of imports of HWR tubular products from the subject countries increased by 27.4 percent from 2013 to 2014, decreased by 27.4 percent from 2014 to 2015, and was 61.9 percent lower during January to March 2016 than during January to March 2015. As a share of total imports, subject imports increased from 48.9 percent in 2013 to 50.4 percent in 2014 and decreased to 37.9 percent in 2015.[3] [4] Subject imports accounted for 22.5 percent of total imports during January to March 2016 compared to 46.6 percent of total imports during January to March 2015. The average unit value of subject imports decreased by 12.9 percent from 2013 to 2015 and was 23.9 percent lower during January to March 2016 than during January to March 2015.

The leading source of nonsubject imports was Canada, which accounted for 50.6 percent of the quantity of total U.S. imports of HWR tubular products in 2015. The quantity of U.S. imports from all nonsubject countries combined increased by 44.8 percent from 2013 to 2015 and was 14.8 percent higher during January to March 2016 than during January to March 2015. The average unit value of nonsubject imports increased by 0.9 percent from 2013 to

[3] Petitioners contend that when the petitions were filed, importers responded to the prospect of antidumping and countervailing duties by reducing their purchases of the subject product. Subject imports also declined, petitioners contend, because the domestic industry began cutting prices. Hearing transcript, pp. 16 (Jameson), 24, 30 (Cloutier); petitioners' posthearing brief, p. 12.

[4] Tata International, an importer of HWR tubular products from Turkey, noted that its customers ordered more HWR tubular products in 2014 when market demand and forward pricing was increasing, but decreased orders in late 2014 into 2015 as raw material prices declined, which occurred before the petitions were filed. Hearing transcript, p. 108 (McManus).

2014, decreased by 13.5 percent from 2014 to 2015, and was 24.2 percent lower during January to March 2016 than during January to March 2015.

The ratio of subject import volume to U.S. production increased from 9.7 percent in 2013 to 12.2 percent in 2014 but decreased to 10.0 percent in 2015. The ratio was 5.0 percent during January to March 2016 compared to 13.3 percent during January to March 2015.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[5] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[6]

The quantity of U.S. imports from each subject country in the twelve-month period preceding the filing of the petitions (July 2014 to June 2015) and the share of the quantity of total U.S. imports for each accounted subject country are presented in table IV-3. Imports from Korea, Mexico, Turkey, and Turkey (excluding Ozdemir) accounted for 19.2, 13.1, 14.2, and *** percent, respectively, of total imports of HWR tubular products by quantity during July 2014 to June 2015. Imports from all three subject countries combined accounted for 46.5 percent of total imports during July 2014 to June 2015.

[5] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[6] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Table IV-3
HWR tubular products: U.S. imports, July 2014 to June 2015

Item	July 2014 to June 2015	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from.--		
Korea	85,661	19.2
Mexico	58,173	13.1
Turkey	63,384	14.2
Turkey (excluding Ozdemir)[1]	***	***
Subtotal, subject sources	207,218	46.5
Canada	195,015	43.8
All other sources	42,937	9.6
Subtotal, nonsubject sources	237,953	53.5
Total	445,171	100.0

[1] Commerce determined that Turkish firm Ozdemir had a *de minimis* dumping margin. *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Turkey: Final Determination of Sales at Less Than Fair Value*, 81 FR 47355, July 21, 2016.

Note.--All other sources do not include data from Finland and Taiwan under HTS subheading 7306.61.30.

Source: Official U.S. import statistics and *** under HTS subheadings 7306.61.10 and 7306.61.30.

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered fungibility, presence of sales or offers to sell in the same geographical markets, common or similar channels of distribution, and simultaneous presence in the market. Fungibility and channels of distribution are discussed in Part II of this report. Additional information concerning simultaneous presence in the market and geographical markets is presented below.

Geographical markets

HWR tubular products are produced throughout the United States and are shipped nationwide. As illustrated in table IV-4, import entries from Mexico and Turkey were largely in Texas, while import entries from Korea were concentrated in the West Coast, specifically California and Oregon.

Table IV-4
HWR tubular products: Major customs districts of entry for U.S. imports, January 2013 to May 2016

Item	Calendar year			January to May
	2013	2014	2015	2016
	Quantity (short tons)			
U.S. imports from Korea.--				
Los Angeles, CA	33,205	45,791	38,789	11,573
Columbia-Snake, OR	12,386	17,521	17,427	4,599
Houston-Galveston, TX	8,372	10,765	8,032	1,728
All other districts	3,384	9,249	11,934	2,116
Total U.S. imports from Korea	57,347	83,326	76,183	20,015
U.S. imports from Mexico.--				
Laredo, TX	66,431	72,337	46,553	16,919
San Diego, CA	9	19	51	22
El Paso, TX	23	7	38	0
San Juan, PR	0	0	4	9
Total U.S. imports from Mexico	66,464	72,363	46,647	16,950
U.S. imports from Turkey				
Houston-Galveston, TX	31,703	31,925	14,390	928
Savannah, GA	6,677	10,310	5,330	515
Detroit, MI	0	2,589	3,739	0
All other districts[1]	9,743	18,527	12,835	412
Total U.S. imports from Turkey	48,123	63,353	36,294	1,855
U.S. imports from nonsubject sources.--				
Detroit, MI	121,129	150,630	166,489	88,323
Houston-Galveston, TX	8,528	6,783	32,415	5,180
Buffalo, NY	27,578	23,752	27,685	12,208
All other districts	22,724	34,424	34,045	19,542
Total U.S. imports from nonsubject sources	179,959	215,589	260,634	125,253

[1] Other customs districts of entry of imports from Mexico include San Francisco, Tampa, New Orleans, and Mobile. Other customs districts of entry of imports from Turkey include New Orleans, Baltimore, and New York.

Note.--Nonsubject sources do not include data from Finland and Taiwan under HTS subheading HTS 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

Presence in the market

Table IV-5 and figures IV-2 through IV-4 present information on the monthly presence of U.S. imports in the United States. These data show that imports of HWR tubular products from each subject country were present in the U.S. market in every month during January 2013 to May 2016 except from Korea during March 2016 or from Turkey during March and April 2016.

Table IV-5
HWR tubular products: Monthly presence of U.S. imports, January 2013 to May 2016

Item	Calendar year			January to May
	2013	2014	2015	2016
	Quantity (short tons)			
U.S. imports from Korea.--				
January	1,207	1,950	9,668	6,628
February	8,630	12,482	9,888	4,348
March	3,762	2,499	5,436	0
April	3,328	11,210	11,241	2,650
May	5,400	6,658	6,336	6,389
June	3,090	8,637	3,204	
July	5,726	6,524	4,473	
August	1,791	10,477	9,440	
September	8,964	5,036	1,963	
October	4,690	8,661	3,587	
November	6,427	8,271	9,896	
December	4,333	919	1,051	
Total U.S. imports from Korea	57,347	83,326	76,183	20,015
U.S. imports from Mexico.--				
January	5,322	6,395	5,886	2,634
February	4,443	7,021	4,935	4,816
March	4,372	5,832	5,119	1,218
April	4,624	5,103	3,593	4,813
May	5,907	8,676	2,583	3,470
June	5,454	6,218	2,940	
July	6,108	5,680	3,984	
August	5,676	8,608	3,941	
September	3,683	8,047	5,229	
October	7,399	5,648	1,404	
November	8,080	2,046	5,169	
December	5,396	3,087	1,864	
Total U.S. imports from Mexico	66,464	72,363	46,647	16,950
U.S. imports from Turkey.--				
January	5,905	115	5,793	891
February	5,255	3,337	1,623	441
March	10,821	4,779	6,767	0
April	537	6,049	5,536	0
May	316	8,966	5,745	523
June	5,791	2,953	765	
July	2,844	5,577	2,023	
August	563	594	306	
September	4,627	7,563	1,254	
October	277	12,039	3,930	
November	1,267	6,221	2,302	
December	9,918	5,160	251	
Total U.S. imports from Turkey	48,123	63,353	36,294	1,855

Table continued on next page.

Table IV-5 -- Continued
HWR tubular products: Monthly presence of U.S. imports, January 2013 to May 2016

Item	Calendar year			January to May
	2013	2014	2015	2016
	Quantity (short tons)			
U.S. imports from subject sources.--				
January	12,434	8,460	21,348	10,153
February	18,329	22,841	16,446	9,605
March	18,954	13,110	17,322	1,218
April	8,490	22,363	20,370	7,463
May	11,623	24,300	14,664	10,382
June	14,334	17,808	6,909	
July	14,678	17,782	10,480	
August	8,030	19,679	13,687	
September	17,275	20,647	8,446	
October	12,365	26,348	8,920	
November	15,774	16,539	17,366	
December	19,647	9,166	3,166	
Total U.S. imports from subject sources	171,935	219,042	159,123	38,820
U.S. imports from Canada.--				
January	13,344	14,731	15,596	22,383
February	12,203	13,507	14,480	21,986
March	13,698	15,182	15,580	22,017
April	15,045	15,090	16,336	21,250
May	12,673	17,024	15,475	23,685
June	12,846	17,144	20,069	
July	13,447	15,017	16,478	
August	14,314	15,511	20,410	
September	12,235	18,297	19,857	
October	14,226	20,294	19,574	
November	13,610	15,512	20,458	
December	11,975	12,847	17,959	
Total U.S. imports from Canada	159,616	190,157	212,272	111,321
U.S. imports from all other sources.--				
January	1,959	3,626	2,637	653
February	264	2,214	9,279	4,472
March	793	3,848	5,472	847
April	1,575	2,507	10,537	5,236
May	2,735	3,974	4,873	2,723
June	1,281	1,188	2,064	
July	1,550	1,766	1,035	
August	5,169	916	442	
September	1,664	796	5,830	
October	1,039	2,151	506	
November	658	1,852	4,208	
December	1,657	594	1,478	
Total U.S. imports from all other sources	20,343	25,432	48,362	13,932

Table continued on next page.

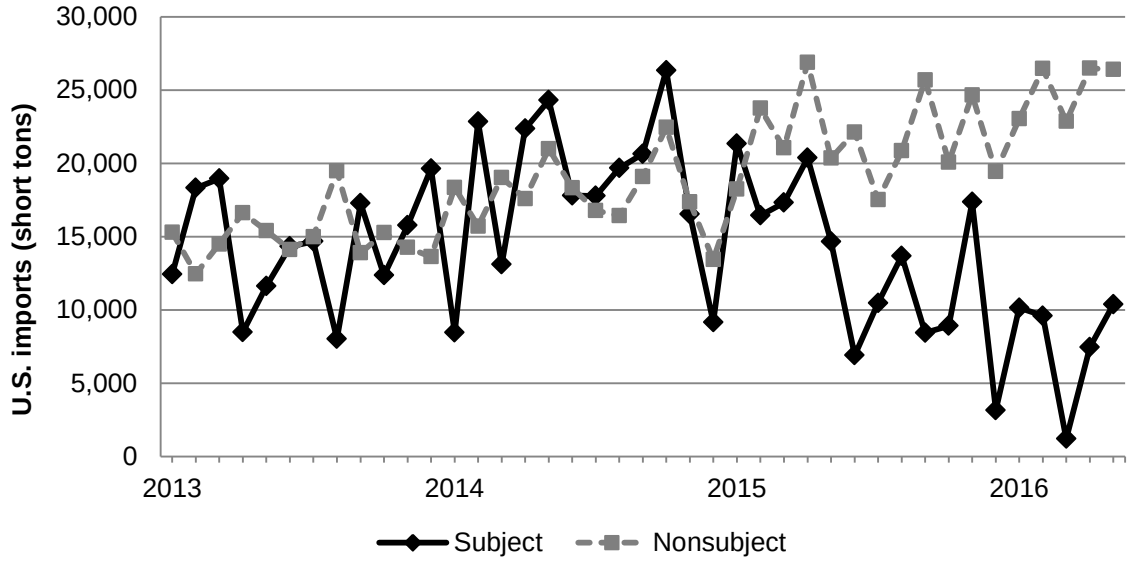
Table IV-5 -- Continued
HWR tubular products: Monthly presence of U.S. imports, January 2013 to May 2016

Item	Calendar year			January to May
	2013	2014	2015	2016
	Quantity (short tons)			
U.S. imports from nonsubject sources.--				
January	15,304	18,357	18,233	23,036
February	12,467	15,721	23,759	26,458
March	14,491	19,031	21,051	22,864
April	16,620	17,597	26,873	26,486
May	15,408	20,998	20,348	26,408
June	14,127	18,333	22,133	
July	14,997	16,783	17,513	
August	19,483	16,428	20,853	
September	13,899	19,093	25,687	
October	15,265	22,445	20,080	
November	14,268	17,364	24,665	
December	13,631	13,441	19,437	
Total U.S. imports from nonsubject sources	179,959	215,589	260,634	125,253
U.S. imports from all sources.--				
January	27,738	26,817	39,581	33,189
February	30,796	38,562	40,206	36,064
March	33,445	32,141	38,373	24,082
April	25,110	39,959	47,243	33,949
May	27,031	45,298	35,012	36,790
June	28,461	36,140	29,042	
July	29,675	34,565	27,993	
August	27,513	36,107	34,540	
September	31,174	39,740	34,133	
October	27,630	48,793	29,000	
November	30,042	33,903	42,032	
December	33,279	22,607	22,603	
Total U.S. imports from all sources	351,893	434,631	419,757	164,073

Note.--All other sources do not include data from Finland and Taiwan under HTS subheading 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

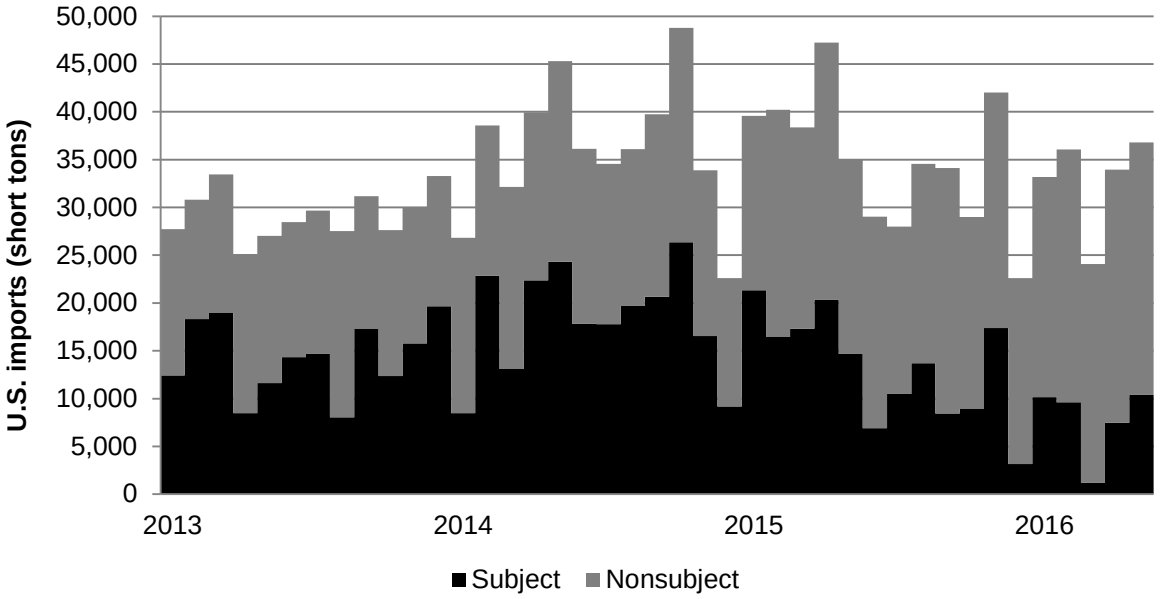
Figure IV-2
HWR tubular products: Monthly U.S. imports, January 2013 - May 2016



Note.--Nonsubject sources do not include data from Finland and Taiwan under HTS subheading HTS 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

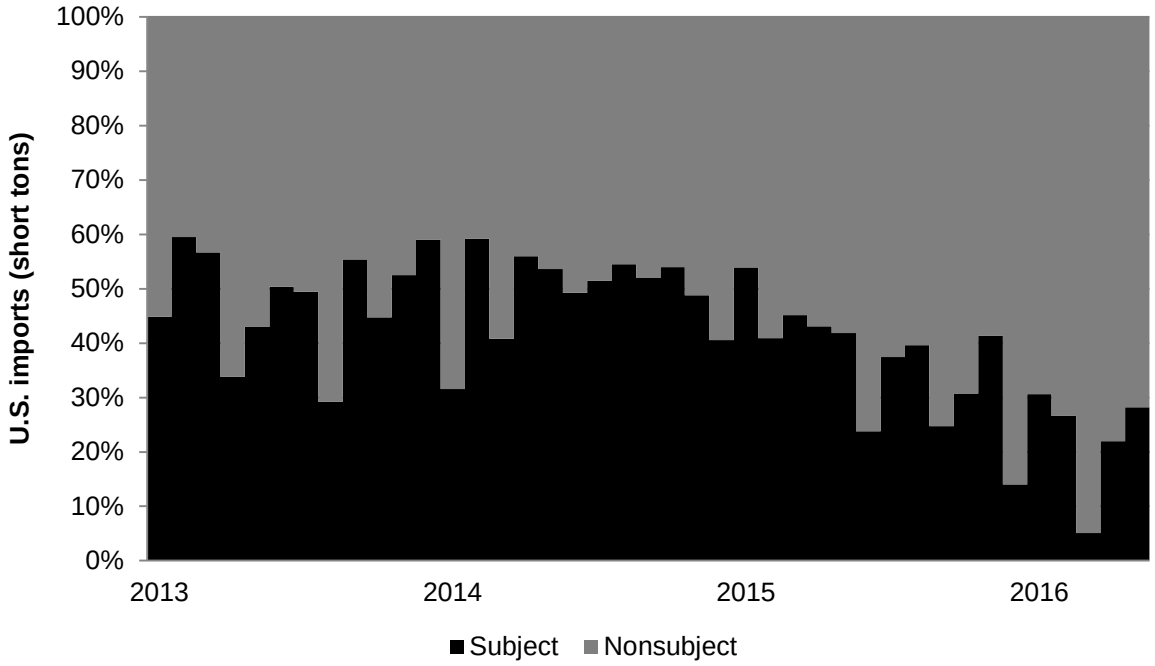
Figure IV-3
HWR tubular products: Monthly U.S. imports, January 2013 - May 2016



Note.--Nonsubject sources do not include data from Finland and Taiwan under HTS subheading HTS 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

Figure IV-4
HWR tubular products: Shares of monthly U.S. imports, January 2013 - May 2016



Note.--Nonsubject sources do not include data from Finland and Taiwan under HTS subheading HTS 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30.

APPARENT U.S. CONSUMPTION

Table IV-6 and figure IV-5 present data on apparent U.S. consumption for HWR tubular products. Apparent U.S. consumption based on quantity increased by 4.4 percent from 2013 to 2014, decreased by 6.2 percent from 2014 to 2015, and was 0.8 percent lower during January to March 2016 than during January to March 2015. Apparent U.S. consumption based on value also increased by 7.0 percent from 2013 to 2014, decreased by 22.0 percent from 2014 to 2015, and was 23.4 percent lower during January to March 2016 than during January to March 2015.

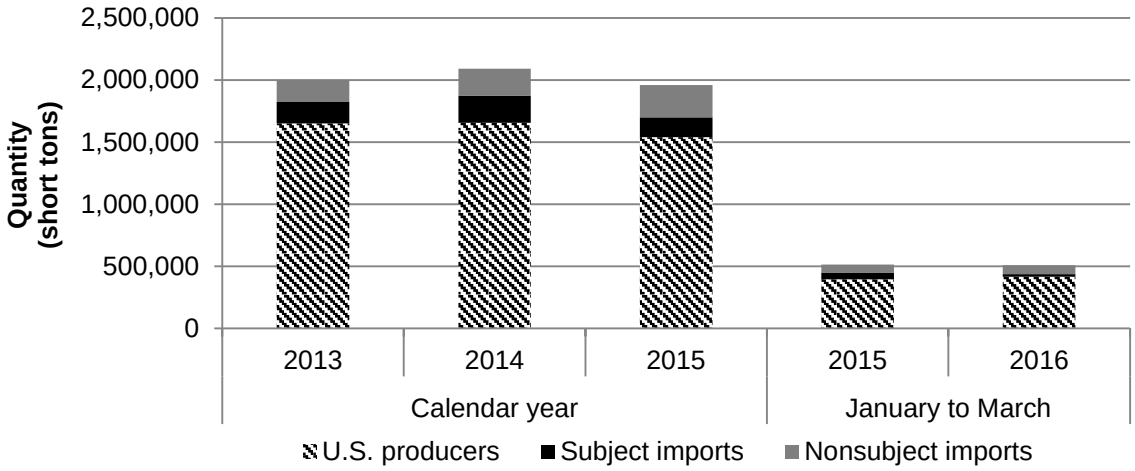
Table IV-6
HWR tubular products: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
U.S. producers' U.S. shipments	1,651,115	1,656,680	1,542,054	397,040	417,824
U.S imports from.--					
Korea	57,347	83,326	76,183	24,992	10,976
Mexico	66,464	72,363	46,647	15,940	8,668
Turkey	48,123	63,353	36,294	14,183	1,332
Subtotal, subject sources	171,935	219,042	159,123	55,116	20,976
Canada	159,616	190,157	212,272	45,656	66,386
All other sources	20,343	25,432	48,362	17,388	5,972
Subtotal, nonsubject sources	179,959	215,589	260,634	63,044	72,359
Total U.S. imports	351,893	434,631	419,757	118,160	93,335
Apparent U.S. consumption	2,003,008	2,091,311	1,961,811	515,200	511,159
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	1,415,007	1,467,921	1,110,766	323,779	260,384
U.S imports from.--					
Korea	38,601	56,619	46,221	16,769	5,200
Mexico	53,200	55,240	32,308	11,543	5,304
Turkey	35,876	46,973	24,486	10,052	605
Subtotal, subject sources	127,678	158,832	103,015	38,365	11,108
Canada	149,205	179,657	167,807	40,448	46,561
All other sources	20,054	24,971	46,130	18,034	4,324
Subtotal, nonsubject sources	169,259	204,627	213,937	58,482	50,885
Total U.S. imports	296,937	363,459	316,952	96,847	61,994
Apparent U.S. consumption	1,711,944	1,831,380	1,427,718	420,626	322,378

Note.--All other sources do not include data from Finland and Taiwan under HTS subheading 7306.61.30.

Source: Official U.S. import statistics using HTS subheadings 7306.61.10, and 7306.61.30, and data compiled from data submitted in response to Commission questionnaires.

Figure IV-5
HWR tubular products: Apparent U.S. consumption, 2013-15, January to March 2015, and January to March 2016



Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30, and data compiled from data submitted in response to Commission questionnaires.

U.S. MARKET SHARES

Table IV-7 presents U.S. market share data. U.S. producers' market share based on quantity decreased by 3.8 percentage points from 2013 to 2015, and was 4.6 percentage points higher during January to March 2016 than during January to March 2015. U.S. producers' market share based on value decreased by 4.9 percentage points from 2013 to 2015, and was 3.8 percentage points higher during January to March 2016 than during January to March 2015. The market share of imports of HWR tubular products from the subject countries increased by 1.9 percentage points from 2013 to 2014, decreased by 2.4 percentage points from 2014 to 2015, and was 6.6 percentage points lower during January to March 2016 than during January to March 2015.[7] [8]

[7] ***, one of the largest importers of HWR tubular products from Turkey, indicated that ***. ***.
[8] Counsel to the petitioners contends that ***. ***.

Table IV-7
HWR tubular products: U.S. consumption and market shares, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
			Quantity (short tons)		
Apparent U.S. consumption	2,003,008	2,091,311	1,961,811	515,200	511,159
			Share of quantity (percent)		
U.S. producers' U.S. shipments	82.4	79.2	78.6	77.1	81.7
U.S imports from.--					
Korea	2.9	4.0	3.9	4.9	2.1
Mexico	3.3	3.5	2.4	3.1	1.7
Turkey	2.4	3.0	1.9	2.8	0.3
Subtotal, subject sources	8.6	10.5	8.1	10.7	4.1
Canada	8.0	9.1	10.8	8.9	13.0
All other sources	1.0	1.2	2.5	3.4	1.2
Subtotal, nonsubject sources	9.0	10.3	13.3	12.2	14.2
Total U.S. imports	17.6	20.8	21.4	22.9	18.3
			Value (1,000 dollars)		
Apparent U.S. consumption	1,711,944	1,831,380	1,427,718	420,626	322,378
			Share of value (percent)		
U.S. producers' U.S. shipments	82.7	80.2	77.8	77.0	80.8
U.S imports from.--					
Korea	2.3	3.1	3.2	4.0	1.6
Mexico	3.1	3.0	2.3	2.7	1.6
Turkey	2.1	2.6	1.7	2.4	0.2
Subtotal, subject sources	7.5	8.7	7.2	9.1	3.4
Canada	8.7	9.8	11.8	9.6	14.4
All other sources	1.2	1.4	3.2	4.3	1.3
Subtotal, nonsubject sources	9.9	11.2	15.0	13.9	15.8
Total U.S. imports	17.3	19.8	22.2	23.0	19.2

Source: Official U.S. import statistics using HTS subheadings 7306.61.10 and 7306.61.30, and data compiled from data submitted in response to Commission questionnaires.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

U.S. producers' overall raw material costs as a share of costs of goods sold decreased from 84.2 percent in 2013 to 81.3 percent in 2015, and were 77.5 percent in January-March 2016. The principal raw material used in the production of HWR tubular products is hot-rolled steel. The price of hot-rolled steel coil fluctuated between January 2013 and July 2016 (figure V-1). The price of hot-rolled steel declined from $*** per short ton in January 2013 to $*** per short ton in December 2015 (a decline of *** percent). Prices then increased sharply in 2016 rising to $*** per short ton by June 2016 and were $*** per short ton in July 2016.

Figure V-1
Hot-rolled steel: Monthly spot price of domestic hot-rolled coil, January 2013 to July 2016

* * * * * * *

Producers and importers were asked how the price of raw materials used in the production of HWR tubular products had changed since January 2013. Most firms reported that raw material prices had either decreased or fluctuated since January 2013 (table V-1).

Table V-1
HWR tubular products: U.S. producers' and importers' responses on how the price of raw materials used in HW tubular product have changed since January 2013

	Increased	No change	Decreased	Fluctuated
Producers	1	0	9	5
Importers	1	1	13	16

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

Producers and importers were asked how changes in the cost of hot-rolled steel had affected the price of HWR tubular products since 2013. Most responding firms (9 of 13 producers and 17 of 24 importers)[1] reported that changes in the price of hot-rolled steel prices caused similar changes in the price of HWR tubular products. Other responses included: HWR tubular products move with hot-rolled steel prices with a lag; declines in the price of HWR tubular products have outpaced declines in the price hot-rolled steel; the price of hot-rolled steel sometimes affects the price of HWR tubular products; changes in demand affect the price of both; and import competition leads to slower increases and faster reductions in HWR tubular prices when hot-rolled prices change. Firms also noted that changes in the price of hot-rolled steel leads to writing down (the value of) inventories.

[1] In this section, counts exclude firms responding that they did not know the answer.

Figure V-2 compares the indexed price of hot-rolled steel on a quarterly basis with that of the indexed U.S. data for pricing products discussed later in this section. The indexed prices for the five U.S. pricing products follow a similar pattern as the price of hot-rolled steel, although the HWR tubular pricing products prices appear to be somewhat less volatile. Mexican respondents report that between the first quarter of 2012 and the first quarter of 2016, the correlation coefficient between hot-rolled coil prices and the price of HWR tubular products was 0.98 to 0.99.[2]

Figure V-2
HWR tubular prices: Indexed quarterly average hot-rolled steel coil prices compared with the U.S. producers' price of five pricing products, January 2013 to March 2016

* * * * * * *

Eight of 34 responding purchasers reported that spot prices were indexed to raw material costs.[3] Explanations included: mill announces increase due to production costs; prices reflect scrap prices; and purchase prices fluctuate with raw material costs. Two purchasers that reported that spot prices were not indexed to raw material costs elaborated. One reported that spot prices usually change with the raw material price index but they can also change with supply and demand. The other reported that the spot prices were "dictated by the domestic mills."

Eleven of 34 responding purchasers reported that their contracts were indexed to raw material costs. The questionnaire did not ask purchasers if they purchased HWR tubular products using contracts. Firms reporting that contract prices were not indexed may not have had contracts. Twenty-three firms reported that contract prices were not linked to raw material costs. Only two firms provided explanations, but both of these appeared not to have contracts.[4]

Purchasers were asked if changes in the price of hot-rolled coil affected their price negotiations. Most purchasers (26 of 35) reported that they did.[5] The most common response, provided by 12 purchasers, was that raw material costs influence the price or cost of HWR tubular products.[6] Other responses included:

[2] Mexican respondents' prehearing brief pp. 22-23, exh. 10.

[3] The vast majority of sales reported by importers and U.S. producers were spot sales, and contracts tended to be short-term.

[4] One reported that prices were negotiated at the time of purchase and the other reported it did not have contracts.

[5] Nine purchasers reported that the price of raw materials did not affect their price negotiations. One of these (***) explained that ***.

[6] Some firms reported that the price of iron ore and scrap affect prices.

- Pricing is based on the CRU hot-rolled steel index
- Changes in raw material costs cause fluctuations in the list or market prices
- Raw material costs determine what price the purchaser expects to pay
- Negotiations are tougher when hot-rolled steel prices increase
- Purchaser changes order size if it expects raw material prices will change
- Firm uses multiple suppliers so they can negotiate prices
- Price is adjusted quarterly or semiannually based on steel costs
- And in negotiations, suppliers will report if raw material costs have increased purchasers will report if raw material costs have decreased

Pricing lags

Respondents assert that when hot-rolled steel prices fall, "customers expect immediate price decreases."[7] In contrast, respondents contend that when hot-rolled steel prices increase, U.S. producers must announce a price increase "three to four weeks before" it goes into effect.[8] These price change patterns would reduce profits when hot-rolled steel prices are falling or fluctuating rapidly. Petitioners provide a number of price announcements showing that ***.[9] ***.[10] It is not clear if these price increases actually occurred as announced.[11] However, if the prices followed the pattern in the announcements, then the actual prices for sales would increase gradually as the orders received before the announced price increase were delivered, as new orders with higher price grew and as the old price expired for orders already on the books.

The pricing lag can also be slowed because, at least on the West Coast, "announced hikes usually don't actually begin until the last mill's move takes place." Orders already on the books, with the previous price set, could be scheduled for shipments up to a month in the future.[12]

[7] Hearing transcript, p. 123 (Noonan).

[8] Hearing transcript, p. 123 (Noonan).

[9] Petitioners' posthearing brief, exh. 6. ***.

[10] Petitioners' posthearing brief, exh. 6. ***.

[11] "U.S. producers announced price increases… at the same time customers told domestic producers that other domestic producers were allowing them ***." Mexican producers' posthearing brief exh. 1, p. 2.

[12] Petitioners' posthearing brief exh. 5 "W. Coast steel tubers relent, plan to implement increase," American Metal Market, July 18, 2013, p. 2.

Expected changes in raw material costs

Producers and importers were asked if expected changes in hot-rolled steel affected the volume of their HWR tubular products sales. Nine of 13 responding producers and 14 of 28 responding importers reported that they did. Reasons reported for changes in quantity sold included:

- When hot-rolled steel prices are expected to increase, service centers increase purchases and inventories;
- When hot-rolled steel prices are expected to decrease, service centers decrease purchases and inventories;
- Expected increases in hot-rolled steel prices will boost sales for 2 to 3 months but will not affect annual sales volume;
- Reductions in raw material costs may create lost or non-complete orders;
- Volatile hot-rolled steel prices reduce the amount of HWR tubular products sold;
- Hot-rolled steel prices affect the price of HWR tubular products and this affects the amount sold[13]

Reasons given for why expected changes in the cost of hot-rolled steel did not affect how much HWR tubular products they sold were mainly reported by importers.[14] Explanations included: customers purchase based on need rather than price; buyers will adjust their tube prices; in the long run, sales volume is not affected; and all sellers of HWR tubular products use cost index to raw materials, and thus the volume remains the same.

The factor, expected changes in the price of hot-rolled steel coil, was also included in the list of purchase factors discussed in section II, table II-9. Sixteen of the 35 responding purchasers reported that this factor, expected changes in the price of hot-rolled steel coil, was a very important factor in their purchasing decisions, 13 reported that it was somewhat important, and 6 reported that it was not important in their purchase decisions.[15]

Nineteen of 34 responding purchasers reported that expected changes in the cost of hot-rolled steel did not affect how much HWR tubular products they purchased. The remaining 15 purchasers report that expected changes in the cost of hot-rolled steel affected the amount of HWR tubular products they purchased. Most of these purchasers explained that they try to reduce purchases and inventories of HWR tubular products when prices of hot-rolled steel are

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[13] One producer reported that producers limit their purchases of hot-rolled steel if the price is expected to fall and attempt to increase purchases ahead of hot-rolled steel price increases. It may be difficult, however, to increase purchases of hot-rolled steel when its price is expected to increase because hot-rolled steel producers may limit orders.

[14] One U.S. producer reported that the cost of hot-rolled steel did not affect the amount of HWR tubular product it sold because ***.

[15] Two of the purchasers that reported that expected changes in the price of hot-rolled steel coil was not an important factor in their purchase decisions were not distributors (***).

reduce purchases and inventories of HWR tubular products when prices of hot-rolled steel are expected to fall, and/or try to increase purchases and inventories ahead of increases in hot-rolled steel and HWR tubular products prices.[16] [17] Other responses included: the price of hot-rolled steel affects the price of HWR tubular products; risk in carrying higher priced inventories; and quantity demanded is affected by price.

Nineteen of 34 responding purchasers reported that expected changes in the cost of hot-rolled steel did not affect the amount of HWR tubular products they held in inventories. The remaining 15 reported that expected changes in the cost of hot-rolled steel affected the amount they held in inventories. Most of the reasons given were similar to why hot-rolled steel prices influenced the amount purchased. Two purchasers explained why the size of its inventories was not affected by the price of hot-rolled steel; both reported that the size of their inventories reflected demand.

Transportation costs to the U.S. market

HWR tubular products transportation costs as a share of the cost of entering merchandise under HTS statistical reporting numbers 7306.61.1000 and 7306.61.3000 ranged from 11.6 to 13.8 percent for Korea, from 2.8 to 3.3 percent for Mexico, and from 7.4 to 9.7 percent for Turkey between 2013 and 2015.

U.S. inland transportation costs

Ten of 14 responding U.S. producers reported that they typically arrange transportation to their customers. Fourteen of 25 responding importers reported that their customers typically arrange transportation from their U.S. point of shipment.[18] [19] U.S. producers reported that their U.S. inland transportation costs ranged from 1 percent to 15 percent, with 8 of 13 responding producers reporting costs of 5 percent to 7 percent. Importers reported that their U.S. inland transportation costs ranged from 3 percent to 10 percent, with six of the eight responding importers reporting 3 to 5 percent. Petitioners report that they typically sell at delivered prices

[16] One purchaser specified that it would carry three or four weeks of sales in inventories rather than two weeks in inventories if a price increase is expected.

[17] One of the purchasers reported that the cost of hot-rolled steel did not affect its purchases of HWR tubular products. It reported that demand drives the market, and customers will buy at fair market prices.

[18] This includes one importer that reported both that it and that its customers arranged transportation.

[19] All five responding importers of product from Mexico reported that they arranged transportation to their customers. Ten of 11 responding importers of product from Korea reported that their customers arranged transportation. The seven responding importers from Turkey were evenly split, three each reported the firm and the customers arranged transportation, and one reported both.

and delivery cost is typically their second-highest cost, less than raw material costs, but greater than the cost of labor.[20]

PRICING PRACTICES

Pricing methods

Most U.S. producers (12 of 14) and importers (27 of 32) reported using transaction-by-transaction negotiations to determine prices (table V-2). The next most common method of price setting was set price lists, followed by contracts.

Table V-2
HWR tubular products: U.S. producers' and importers' reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	12	27
Contract	7	3
Set price list	7	7
Other[2]	0	2

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.
[2] Other includes "spot sales" and internal consumption.

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

U.S. producers and importers from Mexico and Turkey reported selling the vast majority of their product in the spot market (table V-3). In contrast, the majority of importer sales of Korean product were sold under short-term contracts.

Table V-3
HWR tubular products: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2015

Type of sale	U.S. producers	Importers		
		Korea	Mexico	Turkey
Long-term contracts	0.0	0.0	0.0	0.0
Annual contracts	0.6	0.0	0.0	0.0
Short-term contracts	9.6	54.5	***	***
Spot sales	89.8	45.5	***	***

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

Thirty of 35 responding purchasers reported that their purchases of HWR tubular products involved negotiations. Most purchasers reported price negotiations. Purchasers also frequently negotiated factors, such as lead time (on time performance), availability (inventories held by the seller), quality, and factors related to "ease of doing business."

[20] Conference transcript, p. 61 (Seeger).

Nineteen purchasers reported that they purchase HWR tubular products daily, 12 purchase weekly, 2 purchase monthly, and 1 purchases quarterly. Thirty-two of 34 responding purchasers reported that their purchasing patterns had not changed since 2013.[21] Most purchasers (26 of 33) contact between one and four suppliers before making a purchase.[22]

Sales terms and discounts

Producers typically offer quantity and/or total volume discounts. Six U.S. producers reported both quantity and total volume discounts, five reported either only quantity or total volume discounts, and three reported no discount policy. In contrast, 22 of 30 responding importers reported no discount policy, 4 reported only quantity discounts, 1 reported only total volume discounts, 1 reported both quantity and total value discounts, and 2 reported other discounts including multiple weight discounts and discounts on a case-by-case basis.[23]

Most U.S. producers (8 of 12) and importers (22 of 25) reported sales terms of net 30 days. Six U.S. producers reported offering payment terms of 0.5 percent 10 net 30, and one reported 2/10 net 30.[24] One importer reported also selling net 60 and cash on delivery, one reported 2/10 net 30, and one reported selling 0.5 percent 10 net 30. U.S. producers and importers typically quote prices on an f.o.b. basis.

Price leadership

Most purchasers listing price leaders (24 of 27 responding) reported that Atlas (a U.S. producer with related producers in Canada) was a price leader.[25] Other firms reported as price leaders included U.S. producers Vest (reported by 3), Searing Steel, and Independence Steel; and importers Prolamsa (an importer of ***), and "Mexican producers" (reported by one each).[26] Purchasers stated that Atlas leads prices because of its size and because it announces price changes. Petitioners provided American Metal Markets articles that frequently reported price increases first announced by Atlas Tube followed by announcements by other producers.[27] Vest and Searing were reported to be price leaders on the West Coast, Prolamsa was reported to be first to increase prices, and Mexican producers were reported to announce price changes first.

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[21] One of these reported more frequent purchases because of increased business and another reported that purchase patterns changed with fluctuations in the market.

[22] Thirty-two purchasers reported contacting 6 or fewer suppliers.

[23] One reported prompt payment discounts; one responded that this question was not applicable as its HWR tubular products were consumed internally.

[24] Some firms reported more than one sales term.

[25] ***.

[26] Some purchasers reported more than one price leader.

[27] See, for example, Petitioners' posthearing brief, exh. 5, citing six articles from 2013. Also see, Mexican Respondents' posthearing brief, exh. 6, citing four articles from 2016.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following HWR tubular products shipped to unrelated U.S. customers during January 2013- March 2016.[28]

Product 1.— 2 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more

Product 2.— 3 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more

Product 3.— 4 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more

Product 4.— 6 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more

Product 5.— 8 inch square ASTM A 500 Grade B with a wall thickness of 0.5 inch, length 20 feet or more

[28] Pricing products in the preliminary phase of these investigations were similar to products 1 through 4. However, for the final phase these products were further specified to include only lengths of 20 feet or more to limit specialty short lengths that may cost more. Product 5 was added to expand the range of products, providing a product with heavier wall thickness.

Thirteen U.S. producers and 21 importers[29] provided usable price data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[30] Ten importers provided price data for HWR tubular products from Korea, three importers provided price data for HWR tubular products from Mexico, and seven importers provided price data for HWR tubular products from Turkey.[31] Price data reported by these firms accounted for approximately 12.1 percent of the value of U.S. producers' U.S. commercial shipments and 27.6 percent of the value of U.S. commercial shipments of subject imports from Korea in 2015. Coverage was between 11 and 16 percent of the value of U.S. commercial shipments of subject imports from Mexico (*** percent) and Turkey (*** percent) in 2015.[32] Pricing data for imports of nonsubject Canadian HWR tubular products are presented in Appendix D.

Price data for products 1-5 are presented in tables V-4 to V-8 and figures V-3 to V-7.

[29] ***.

[30] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[31] One importer (***) reported ***.

[32] Since pricing data were collected by quantity in feet, it was not possible to compare the quantities from the price data with the overall quantities of commercial shipments, which were collected by weight in short tons.

Table V-4
HWR tubular products: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2013 - March 2016

Period	United States		Korea			Mexico		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:								
Jan.-Mar.	2.27	3,305,789	***	***	***	***	***	***
Apr.-June	2.21	2,962,303	***	***	***	***	***	***
July-Sept.	2.28	2,997,880	***	***	***	***	***	***
Oct.-Dec.	2.34	3,107,585	2.08	144,345	11.2	***	***	***
2014:								
Jan.-Mar.	2.41	2,746,151	2.07	192,458	13.8	***	***	***
Apr.-June	2.38	3,019,489	2.03	283,639	14.8	***	***	***
July-Sept.	2.35	3,193,544	2.07	311,700	12.0	***	***	***
Oct.-Dec.	2.28	2,829,902	2.01	244,710	12.0	***	***	***
2015:								
Jan.-Mar.	2.15	3,067,727	2.03	254,148	5.2	***	***	***
Apr.-June	1.87	2,954,742	1.89	259,140	(0.8)	***	***	***
July-Sept.	1.82	2,811,661	1.78	159,833	2.4	***	***	***
Oct.-Dec.	1.65	2,705,729	1.59	218,305	3.9	***	***	***
2016:								
Jan.-Mar.	1.62	3,235,710	1.50	154,273	7.4	***	***	***

Period	United States		Turkey		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:					
Jan.-Mar.	2.27	3,305,789	***	***	***
Apr.-June	2.21	2,962,303	--	0	--
July-Sept.	2.28	2,997,880	***	***	***
Oct.-Dec.	2.34	3,107,585	***	***	***
2014:					
Jan.-Mar.	2.41	2,746,151	***	***	***
Apr.-June	2.38	3,019,489	***	***	***
July-Sept.	2.35	3,193,544	***	***	***
Oct.-Dec.	2.28	2,829,902	***	***	***
2015:					
Jan.-Mar.	2.15	3,067,727	***	***	***
Apr.-June	1.87	2,954,742	***	***	***
July-Sept.	1.82	2,811,661	***	***	***
Oct.-Dec.	1.65	2,705,729	***	***	***
2016:					
Jan.-Mar.	1.62	3,235,710	--	0	--

[1] Product 1: 2 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table V-5
HWR tubular products: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2013 - March 2016

Period	United States		Korea			Mexico		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:								
Jan.-Mar.	3.69	2,351,679	3.40	146,058	7.9	***	***	***
Apr.-June	3.63	2,308,602	***	***	***	***	***	***
July-Sept.	3.71	2,109,582	3.33	157,035	10.4	***	***	***
Oct.-Dec.	3.80	2,140,540	3.37	92,237	11.3	***	***	***
2014:								
Jan.-Mar.	3.88	2,088,349	***	***	***	***	***	***
Apr.-June	3.91	2,307,468	3.25	172,378	16.8	***	***	***
July-Sept.	3.81	2,288,748	3.31	223,497	13.1	***	***	***
Oct.-Dec.	3.73	2,089,081	***	***	***	***	***	***
2015:								
Jan.-Mar.	3.47	2,097,140	3.20	195,915	7.6	***	***	***
Apr.-June	3.06	2,337,499	3.10	159,551	(1.3)	***	***	***
July-Sept.	2.90	2,034,113	2.86	86,893	1.6	***	***	***
Oct.-Dec.	2.68	1,850,003	***	***	***	***	***	***
2016:								
Jan.-Mar.	2.64	2,425,228	2.41	82,776	8.6	***	***	***

Period	United States		Turkey		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:					
Jan.-Mar.	3.69	2,351,679	***	***	***
Apr.-June	3.63	2,308,602	***	***	***
July-Sept.	3.71	2,109,582	***	***	***
Oct.-Dec.	3.80	2,140,540	***	***	***
2014:					
Jan.-Mar.	3.88	2,088,349	***	***	***
Apr.-June	3.91	2,307,468	***	***	***
July-Sept.	3.81	2,288,748	***	***	***
Oct.-Dec.	3.73	2,089,081	***	***	***
2015:					
Jan.-Mar.	3.47	2,097,140	***	***	***
Apr.-June	3.06	2,337,499	***	***	***
July-Sept.	2.90	2,034,113	***	***	***
Oct.-Dec.	2.68	1,850,003	***	***	***
2016:					
Jan.-Mar.	2.64	2,425,228	***	***	***

[1] Product 2: 3 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table V-6
HWR tubular products: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2013 - March 2016

Period	United States		Korea			Mexico		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:								
Jan.-Mar.	5.29	2,845,417	4.81	206,185	9.0	***	***	***
Apr.-June	5.15	2,844,843	4.82	114,627	6.5	***	***	***
July-Sept.	5.33	2,826,377	4.74	214,371	11.2	***	***	***
Oct.-Dec.	5.47	2,647,396	4.66	141,215	14.9	***	***	***
2014:								
Jan.-Mar.	5.59	2,699,800	4.83	168,260	13.7	***	***	***
Apr.-June	5.53	2,830,361	4.66	258,257	15.9	***	***	***
July-Sept.	5.44	2,972,762	4.68	248,276	14.0	***	***	***
Oct.-Dec.	5.29	2,705,750	4.70	153,533	11.1	***	***	***
2015:								
Jan.-Mar.	5.00	2,673,195	4.58	233,429	8.4	***	***	***
Apr.-June	4.34	2,728,661	4.35	254,398	(0.3)	***	***	***
July-Sept.	4.16	2,472,190	4.06	141,991	2.3	***	***	***
Oct.-Dec.	3.80	2,435,732	3.81	115,290	(0.2)	***	***	***
2016:								
Jan.-Mar.	3.76	2,951,317	3.50	107,327	7.0	***	***	***

Period	United States		Turkey		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:					
Jan.-Mar.	5.29	2,845,417	***	***	***
Apr.-June	5.15	2,844,843	***	***	***
July-Sept.	5.33	2,826,377	***	***	***
Oct.-Dec.	5.47	2,647,396	***	***	***
2014:					
Jan.-Mar.	5.59	2,699,800	***	***	***
Apr.-June	5.53	2,830,361	***	***	***
July-Sept.	5.44	2,972,762	***	***	***
Oct.-Dec.	5.29	2,705,750	***	***	***
2015:					
Jan.-Mar.	5.00	2,673,195	***	***	***
Apr.-June	4.34	2,728,661	***	***	***
July-Sept.	4.16	2,472,190	***	***	***
Oct.-Dec.	3.80	2,435,732	***	***	***
2016:					
Jan.-Mar.	3.76	2,951,317	--	0	--

[1] Product 3: 4 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table V-7
HWR tubular products: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2013 - March 2016

Period	United States		Korea			Mexico		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:								
Jan.-Mar.	7.97	1,142,134	7.49	66,384	6.0	--	0	--
Apr.-June	7.82	1,159,084	7.50	30,833	4.1	***	***	***
July-Sept.	8.10	1,107,218	7.41	50,508	8.4	***	***	***
Oct.-Dec.	8.29	1,143,476	7.21	82,256	13.0	***	***	***
2014:								
Jan.-Mar.	8.47	1,032,088	***	***	***	***	***	***
Apr.-June	8.30	1,140,587	7.23	89,926	12.9	***	***	***
July-Sept.	8.26	1,176,296	7.31	80,328	11.5	***	***	***
Oct.-Dec.	7.95	1,104,467	7.32	70,356	7.9	***	***	***
2015:								
Jan.-Mar.	7.50	999,182	7.19	76,200	4.2	***	***	***
Apr.-June	6.47	1,068,221	7.04	59,950	(8.9)	***	***	***
July-Sept.	6.20	1,088,519	6.16	66,954	0.8	***	***	***
Oct.-Dec.	5.67	970,737	5.89	35,302	(3.8)	***	***	***
2016:								
Jan.-Mar.	5.63	1,181,173	5.42	39,230	3.8	***	***	***

Period	United States		Turkey		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:					
Jan.-Mar.	7.97	1,142,134	***	***	***
Apr.-June	7.82	1,159,084	--	0	--
July-Sept.	8.10	1,107,218	***	***	***
Oct.-Dec.	8.29	1,143,476	***	***	***
2014:					
Jan.-Mar.	8.47	1,032,088	***	***	***
Apr.-June	8.30	1,140,587	***	***	***
July-Sept.	8.26	1,176,296	***	***	***
Oct.-Dec.	7.95	1,104,467	***	***	***
2015:					
Jan.-Mar.	7.50	999,182	***	***	***
Apr.-June	6.47	1,068,221	***	***	***
July-Sept.	6.20	1,088,519	***	***	***
Oct.-Dec.	5.67	970,737	***	***	***
2016:					
Jan.-Mar.	5.63	1,181,173	--	0	--

[1] Product 4: 6 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table V-8
HWR tubular products: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2013 - March 2016

Period	United States		Korea			Mexico		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:								
Jan.-Mar.	20.81	211,007	***	***	***	--	0	--
Apr.-June	20.54	228,844	***	***	***	--	0	--
July-Sept.	20.90	206,887	***	***	***	--	0	--
Oct.-Dec.	21.55	225,599	***	***	***	--	0	--
2014:								
Jan.-Mar.	22.18	228,672	***	***	***	--	0	--
Apr.-June	21.85	206,152	***	***	***	--	0	--
July-Sept.	21.93	217,880	***	***	***	***	***	***
Oct.-Dec.	21.88	211,021	***	***	***	***	***	***
2015:								
Jan.-Mar.	19.38	194,982	***	***	***	***	***	***
Apr.-June	16.91	214,543	***	***	***	***	***	***
July-Sept.	16.38	174,158	***	***	***	***	***	***
Oct.-Dec.	15.05	166,924	***	***	***	***	***	***
2016:								
Jan.-Mar.	14.47	178,028	***	***	***	***	***	***

Period	United States		Turkey		
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)	Margin (percent)
2013:					
Jan.-Mar.	20.81	211,007	***	***	***
Apr.-June	20.54	228,844	--	0	--
July-Sept.	20.90	206,887	***	***	***
Oct.-Dec.	21.55	225,599	***	***	***
2014:					
Jan.-Mar.	22.18	228,672	***	***	***
Apr.-June	21.85	206,152	***	***	***
July-Sept.	21.93	217,880	***	***	***
Oct.-Dec.	21.88	211,021	***	***	***
2015:					
Jan.-Mar.	19.38	194,982	***	***	***
Apr.-June	16.91	214,543	***	***	***
July-Sept.	16.38	174,158	***	***	***
Oct.-Dec.	15.05	166,924	***	***	***
2016:					
Jan.-Mar.	14.47	178,028	***	***	***

[1] Product 5: 8 inch square ASTM A 500 Grade B with a wall thickness of 0.5 inch, length 20 feet or more.

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

Figure V-3
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2013 - March 2016

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Figure V-4
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2013 - March 2016

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Figure V-5
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2013 - March 2016

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Figure V-6
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2013 - March 2016

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Figure V-7
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2013 - March 2016

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Price trends

Prices for all pricing products decreased between the first quarter of 2013 and the first quarter of 2016. Table V-9 summarizes the price trends, by country and by product. Prices of U.S.-produced HWR tubular products followed similar patterns for each product. Prices fell from the first to the second quarter of 2013, then rose to the period peak in the first quarter (or for product 2, the second quarter) of 2014, after which prices fell. U.S. producer and importer prices (when available) were lower in the first quarter of 2015 than in the first quarter of 2013 for all five pricing products. U.S. producer and importer prices continued to fall from the first quarter of 2015 to the first quarter of 2016. As shown in the table, domestic price decreases ranged from 28.5 percent to 30.5 percent during January 2013-March 2016 and price declines increased slightly with the size of the tube. Import price decreases ranged from 21.5 percent to 38.7 percent during January 2013 to March 2016. The largest declines were for product 5 (the largest tube), but otherwise changes in import price had a less clear pattern based on tube size.

Petitioners contend that after losing sales to subject imports in 2013 and 2014, they began to sell using "foreign fighter" prices in 2015.[33] This led to price reductions in 2015 which were greater than the reductions in the cost of hot-rolled steel alone would have caused. This also led to the reduction in subject imports and lower margins of underselling by subject imports.[34]

Table V-9
HWR tubular products: Summary of weighted-average f.o.b. prices for products 1-5 from the United States and Korea, Mexico, and Turkey

Item	Number of quarters	Low price (dollars per foot)	High price (dollars per foot)	Change in price[1] (percent)
Product 1				
United States	13	1.62	2.41	(28.5)
Korea	13	1.50	***	***
Mexico	13	***	***	***
Turkey	11	***	***	***
Product 2				
United States	13	2.64	3.91	(28.6)
Korea	13	2.41	3.40	(29.2)
Mexico	13	***	***	***
Turkey	13	***	***	***
Product 3				
United States	13	3.76	5.59	(28.9)
Korea	13	3.50	4.83	(27.3)
Mexico	13	***	***	***
Turkey	12	***	***	***
Product 4				
United States	13	5.63	8.47	(29.3)
Korea	13	5.42	7.50	(27.6)
Mexico	12	***	***	***
Turkey	11	***	***	***
Product 5				
United States	13	14.47	22.18	(30.5)
Korea	13	***	***	***
Mexico	7	***	***	***
Turkey	12	***	***	***

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available.
[2] Changes were not reported if more than one quarter was missing at the beginning or end of the period. The price of Mexican product 5 declined ***.

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

[33] Hearing transcript, p. 24 (Cloutier).
[34] Hearing transcript, p. 24 (Cloutier).

Price comparisons

As shown in table V-10, prices for HWR tubular products imported from Korea, Mexico, and Turkey were below those for U.S.-produced product in 161 of 182 instances (15,953,557 feet); margins of underselling ranged from 0.4 percent to 23.1 percent. In the remaining 21 instances, prices for HWR tubular products from Korea, Mexico, and Turkey were between 0.2 percent and 14.7 percent above prices for the domestic product (1,602,038 feet).[35]

Table V-10
HWR tubular products: Instances of underselling/overselling and the range and average of margins, by country, January 2013 - March 2016

Source	Underselling				
	Number of quarters	Quantity[1] (feet)	Average margin (percent)	Margin range (percent)	
				Min	Max
Korea	58	6,894,665	9.3	0.4	23.1
Mexico	56	6,153,554	***	***	***
Turkey	47	2,905,338	***	***	***
Total	161	15,953,557	10.1	0.4	23.1
Source	**(Overselling)**				
	Number of quarters	Quantity[1] (feet)	Average margin (percent)	Margin range (percent)	
				Min	Max
Korea	7	1,003,546	(2.3)	(0.2)	(8.9)
Mexico	2	5,001	***	***	***
Turkey	12	593,491	***	***	***
Total	21	1,602,038	(5.4)	(0.2)	(14.7)

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

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

Turkish respondents contend that the price of Turkish imports tend to differ from U.S. producers' prices because purchasers must lock in prices 3 to 6 months in advance at the time of the order. Purchasers are willing to pay a price premium for U.S. product with rapid delivery.[36] When the price of hot-rolled steel is falling purchasers are reluctant to order in advance material that may become higher priced inventories, thus purchasers limited their purchases of Turkish imports in 2015.[37]

[35] Twenty of the 21 instances of overselling took in the second, third, and fourth quarters of 2015.
[36] Hearing transcript, p. 112 (Nolan).
[37] Hearing transcript, p. 109 (Nolan).

LOST SALES AND LOST REVENUE

In the preliminary phase of these investigations, the Commission requested U.S. producers of HWR tubular products to report instances of lost sales or revenue due to competition from subject imports between January 2012 and June 2015. A summary of purchaser responses can be found in Appendix E.[38]

In the final phase of the investigations, 11 of 12 responding U.S. producers reported that they had to either reduce prices or roll back announced price increases because of product from Korea, 9 of 11 reported reduced or rolled back prices because of product from Mexico, and 10 of 11 reported reduced or rolled back prices because of product from Turkey. Ten of 12 responding producers reported that they had lost sales because of product from Korea, and 9 of 11 from both Mexico and Turkey. Staff contacted 108 purchasers and received responses from 35 purchasers.[39] Responding purchasers reported purchasing 852,995 short tons of HWR tubular products during 2015 (table V-11).

Of the 33 responding purchasers, 12 reported that they had shifted purchases of HWR tubular products from U.S. producers to subject imports since 2013 (10 of 33 responding purchasers for Korea, 4 of 32 for Mexico, and 2 of 32 for Turkey). Ten of these purchasers reported that price was the primary reason for the shift, and the total amount of product these purchasers reported shifting was *** short tons (table V-12). Of this shift, *** short tons were the result of product from Korea, *** short tons were the result of product from Mexico, and *** short tons were the result of product from Turkey. One purchaser identified availability and short lead times as reasons in addition to price for shifting from U.S. producers to product from Mexico.

Eight of 15 responding purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from subject countries.[40] Seven reported that U.S. producers had reduced their prices because of product from Korea, seven reported that U.S. producers had not reduced their prices because of Korean imports, and 20 did not know. Three purchasers reported that U.S. producers had reduced their prices because of imports from Mexico, seven reported that U.S. producers had not reduced prices because of imports from Mexico, and 22 purchasers did not know. One purchaser reported that U.S. producers had reduced their prices because of imports from Turkey, eight reported that U.S. producers had not reduced prices as a result of competition from Turkey, and 23 reported that they did not

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[38] Effective October 1, 2015, the Commission changed its rules associated with domestic industry provision of allegations of lost sales and lost revenue. The Commission rules were changed to ask petitioners to provide a list of purchasers where they lost sales or revenue, instead of transaction-specific incidents. Information from the preliminary phase related to lost sales and lost revenue allegations under the prior Commission rules is located in app. E.

[39] Seven purchasers submitted lost sales lost revenue survey responses in the preliminary phase, but did not submit purchaser questionnaire responses in the final phase.

[40] The number of purchasers responding is low because most purchasers reported that they did not know if U.S. producers had reduced prices to compete with subject imports.

know (table V-13). The reported estimated price reduction ranged from 10 to 25 percent for product from Korea, 5 to 20 percent for product from Mexico, and was *** percent for the one firm responding for product from Turkey.

Table V-11
HWR tubular products: Purchasers' responses to purchasing patterns

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Table V-12
HWR tubular products: Purchasers' responses to shifting supply sources

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Table V-13
HWR tubular products: Purchasers' responses to U.S. producer price reductions

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PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

INTRODUCTION

Fourteen U.S. producers (Atlas Tube, Axis, Bull Moose, EVRAZ, EXLTUBE, Hanna, Hannibal, Independence, Leavitt, Maruichi, Searing, Southland, TMK, and Vest) provided financial data on their operations on HWR tubular products.[1] These data are believed to account for the substantial majority of U.S. production of HWR tubular products in 2015. The firms differ considerably in size in terms of sales volume and value. The three largest producers, Atlas Tube, Bull Moose, and Independence, reported average annual sales volumes of *** short tons. In contrast, four firms, ***, reported average annual sales from continuing operations of *** short tons. Overall, net sales consisted of commercial sales and minor amounts of internal consumption and related party transfers.[2]

As previously discussed in this report, some firms have made substantial capital investments related to the production of HWR tubular products since 2013, including Axis, Independence, and Searing. Axis began operations on HWR tubular products at its new facility in Bryan, Texas, at the end of 2014. Independence expanded operations on HWR tubular products at its new facility in Trinity, Alabama, at the end of 2014, and Searing expanded operations on HWR tubular products at its new facility in Cheyenne, Wyoming, in 2013.[3] In addition, EVRAZ sold its structural tubing business to Maruichi Oregon Steel Tube in March 2015.[4]

OPERATIONS ON HWR TUBULAR PRODUCTS

Income-and-loss data for U.S. producers of HWR tubular products are presented in table VI-1, while selected financial data, by firm, are presented in table VI-2. The reported profitability of the U.S. industry declined from 2013 to 2015. The reported aggregate net sales quantity declined by 9.0 percent, while the aggregate net sales value declined by 23.2 percent. Operating costs and expenses (the aggregate cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses, combined) declined by 20.4 percent during the same period. Gross, operating, and net income declined as a result of the larger decline in revenue compared to operating costs and expenses.[5]

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[1] The producers with fiscal year ends other than December 31 are ***. However, ***.

[2] ***. Non-commercial sales are included but not shown separately in this section of the report.

[3] U.S. producers' questionnaire responses of Axis, Independence, and Searing.

[4] "EVRAZ NORTH AMERICA SELLS STRUCTURAL TUBING BUSINESS," press release by EVRAZ North America, a wholly owned subsidiary of EVRAZ plc, March 5, 2015.

[5] The U.S. industry's financial indicators declined more sharply from 2014 to 2015 than from 2013 to 2014. From 2014 to 2015, the reported aggregate net sales quantity and value declined by 9.4 and 26.1 percent, respectively, while operating costs and expenses declined by 24.8 percent.

Table VI-1
HWR tubular products: Results of operations of U.S. producers, 2013-15, January-March 2015, and January-March 2016

Item	Fiscal year			January-March	
	2013	2014	2015	2015	2016
			Quantity (short tons)		
Total net sales	1,773,860	1,782,185	1,615,006	422,212	430,698
			Value (1,000 dollars)		
Total net sales	1,515,133	1,574,190	1,163,246	341,884	268,037
Cost of goods sold-- Raw materials	1,096,604	1,163,798	828,117	256,844	172,302
Direct labor	69,712	72,957	67,366	17,486	17,719
Other factory costs	135,852	129,337	122,856	33,717	32,178
Total COGS	1,302,168	1,366,092	1,018,339	308,047	222,199
Gross profit or (loss)	212,965	208,098	144,907	33,837	45,838
SG&A expense	73,063	90,725	76,582	22,310	23,476
Operating income or (loss)	139,902	117,373	68,325	11,527	22,362
Other income or (expense), net	(27,259)	(30,027)	(25,505)	(7,329)	(7,249)
Net income or (loss)	112,643	87,346	42,820	4,198	15,113
Depreciation	26,024	28,709	32,946	8,237	8,271
Cash flow	138,667	116,055	75,766	12,435	23,384
			Ratio to net sales (percent)		
Cost of goods sold-- Raw materials	72.4	73.9	71.2	75.1	64.3
Direct labor	4.6	4.6	5.8	5.1	6.6
Other factory costs	9.0	8.2	10.6	9.9	12.0
Average COGS	85.9	86.8	87.5	90.1	82.9
Gross profit or (loss)	14.1	13.2	12.5	9.9	17.1
SG&A expense	4.8	5.8	6.6	6.5	8.8
Operating income or (loss)	9.2	7.5	5.9	3.4	8.3
Net income or (loss)	7.4	5.5	3.7	1.2	5.6
			Unit value (dollars per short ton)		
Total net sales	854	883	720	810	622
Cost of goods sold-- Raw materials	618	653	513	608	400
Direct labor	39	41	42	41	41
Other factory costs	77	73	76	80	75
Average COGS	734	767	631	730	516
Gross profit or (loss)	120	117	90	80	106
SG&A expense	41	51	47	53	55
Operating income or (loss)	79	66	42	27	52
Net income or (loss)	64	49	27	10	35
			Number of firms reporting		
Operating losses	3	6	9	8	5
Net losses	5	6	9	8	4
Data	13	14	14	14	13

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

Table VI-2
HWR tubular products: Selected results of operations of U.S. producers, by firm, 2013-15, January-March 2015, and January-March 2016

* * * * * * *

Net sales quantity and profitability were higher in January-March 2016 than in January-March 2015; however, the net sales value was lower. The reported aggregate net sales quantity was higher by 2.0 percent, while the aggregate net sales value was lower by 21.6 percent. Operating costs and expenses were 25.6 percent lower in January-March 2016 than in January-March 2015. Gross, operating, and net income were higher as a result of the larger reduction in operating costs and expenses compared to revenue.

Per short ton revenue declined from 2013 to 2015, and was lower in January-March 2016 than in January-March 2015.[6] On a per short ton basis, raw material costs decreased from 2013 to 2015, and were also lower in January-March 2016 than in January-March 2015.[7] Direct labor costs modestly increased from 2013 to 2015, and were unchanged between the comparable interim periods.[8] Other factory costs modestly decreased from 2013 to 2015, and were lower in January-March 2016 than in January-March 2015.[9] In combination, per short ton COGS declined from 2013 to 2015, and was lower in January-March 2016 than in January-March 2015. SG&A expenses increased from 2013 to 2015, and were slightly higher in January-March 2016 than in January-March 2015.

The aforementioned trends in per short ton revenue and costs resulted in declines in gross, operating, and net income from 2013 to 2015, and higher gross, operating, and net income in January-March 2016 than in January-March 2015.

As a ratio to net sales, raw material costs declined from 2013 to 2015 but total COGS slightly increased as net sales value declined. Both raw material costs and total COGS as a ratio to net sales were notably lower in January-March 2016 than in January-March 2015. SG&A expenses increased as a ratio to net sales from 2013 to 2015, and were higher in January-March 2016 than in January-March 2015.[10]

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[6] Net sales declined by $134 per short ton between 2013 and 2015, and were $188 per short ton lower in January-March 2016 than in January-March 2015.

[7] Raw material costs declined by $105 per short ton between 2013 and 2015, and were $208 per short ton lower in January-March 2016 than in January-March 2015.

[8] Direct labor costs increased by $3 per short ton between 2013 and 2015, and were unchanged at $41 per short ton in January-March 2016 and January-March 2015.

[9] Other factory costs declined by $1 per short ton between 2013 and 2015, and were $5 per short ton lower in January-March 2016 than in January-March 2015. Despite the aggregate decline, both ***. Telephone interview with ***, July 14, 2016, and email from ***, July 20, 2016.

[10] The lower net sales values are a contributing factor in the higher ratio of SG&A expenses to net sales; however, some firms reported increases in SG&A expenses during this time, including ***. ***. Email from ***, May 17, 2016. ***. Telephone interview with ***, July 14, 2016. ***. Email from ***, August 10, 2015. ***. Email from ***, July 20, 2016.

The aforementioned trends in COGS and SG&A expenses as ratios to net sales resulted in declines in gross, operating, and net income-to-sales from 2013 to 2015, and higher gross, operating, and net income-to-sales in January-March 2016 compared to January-March 2015.

Raw material costs accounted for an average of 83.8 percent of total COGS from 2013 to March 2016, and had a notable impact on the trends in COGS during this time. In this final phase of the investigations, U.S. producers were asked various questions related to hot-rolled steel purchases, including inventory costing methods and the average time in inventory for normal HWR tubular product operations. Responses varied among the reporting firms, but generally reflected a range of 6 to 10 weeks of hot-rolled steel inventory maintained for normal HWR tubular operations, and most firms reported average costing or LIFO (last in, first out) as their inventory costing method. Questionnaire responses regarding the effects of increasing or decreasing hot-rolled steel prices on reported profitability are presented in Appendix G.

Certain U.S. producers reported relatively greater operating profits as a ratio to net sales compared to the average results for all firms, most notably ***. According to ***.[11]

According to ***.[12]

According to ***.[13]

While the U.S. industry overall reported a decline in profitability from 2013 to 2015, *** reported operating losses as a ratio to net sales during the period that were *** than other reporting firms. ***.[14]

According to ***.[15]

According to ***.[16]

According to ***.[17]

Lastly, ***.[18] [19]

[11] Email from ***, June 13, 2016.

[12] Email from ***, June 13, 2016.

[13] Email from ***, June 10, 2016.

[14] Email from ***, June 13, 2016. ***.

[15] Email from ***, June 13, 2016.

[16] ***. Emails from ***, May 19, 2016 and June 13, 2016.

[17] Email from ***, June 14, 2016.

[18] Email from ***, August 10, 2015. *** . Email from ***, July 8, 2016.

[19] Petitioners note that most domestic producers of HWR tubular products do not have licenses to produce API line pipe. Axis produces API line pipe ***, while TMK produces oil country tubular goods and line pipe ***. Hearing transcript, pp. 81-82; petitioners' posthearing brief, exhibit 5; email from ***, July 27, 2016.

Variance analysis

The variance analysis presented in table VI-3 is based on the data in table VI-1.[20] The analysis shows that the decline in operating income from 2013 to 2015 is primarily attributable to a higher unfavorable price variance despite a favorable net cost/expense variance (that is, prices decreased more than costs and expenses. The increase in operating income in January-March 2016 compared to January-March 2015 is primarily attributable to a higher favorable net cost/expense variance despite an unfavorable price variance (that is, costs and expenses decreased more than prices).

Table VI-3
HWR tubular products: Variance analysis on the operations of U.S. producers, 2013-15, and January-March 2015-16

Item	Between fiscal years			January-March
	2013-15	2013-14	2014-15	2015-16
	Value ($1,000)			
Total net sales:				
Price variance	(216,203)	51,946	(263,276)	(80,718)
Volume variance	(135,684)	7,111	(147,668)	6,871
Total net sales variance	(351,887)	59,057	(410,944)	(73,847)
Cost of sales:				
Cost variance	167,216	(57,813)	219,606	92,039
Volume variance	116,613	(6,111)	128,147	(6,191)
Total cost variance	283,829	(63,924)	347,753	85,848
Gross profit variance	(68,058)	(4,867)	(63,191)	12,001
SG&A expenses:				
Expense variance	(10,062)	(17,319)	5,632	(718)
Volume variance	6,543	(343)	8,511	(448)
Total SG&A variance	(3,519)	(17,662)	14,143	(1,166)
Operating income variance	(71,577)	(22,529)	(49,048)	10,835
Summarized as:				
Price variance	(216,203)	51,946	(263,276)	(80,718)
Net cost/expense variance	157,154	(75,132)	225,238	91,322
Net volume variance	(12,529)	657	(11,010)	232

Note.--Unfavorable variances are shown in parenthesis; all others are favorable.

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

[20] The Commission's variance analysis is calculated in three parts: sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost variance is calculated as the change in unit price or unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or unit cost. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances.

Capital expenditures, research and development expenses, total assets, and return on assets

The responding firms' aggregate data on capital expenditures, research and development ("R&D") expenses, total assets, and return on assets ("ROA") are shown in table VI-4. All fourteen firms reported capital expenditure data, and *** reported research and development ("R&D") expenses.[21] Aggregate capital expenditures declined irregularly from 2013 to 2015, ***.[22] The total assets utilized in the production, warehousing, and sale of HWR tubular products increased irregularly from $1.3 billion in 2013 to $1.5 billion in 2015, and the ROA declined from 11.1 percent in 2013 to 4.5 percent in 2015.[23]

Table VI-4
HWR tubular products: Capital expenditures, R&D expenses, total assets, and return on assets of U.S. producers, 2013-15, January-March 2015, and January-March 2016

Item	Fiscal year			January-March	
	2013	2014	2015	2015	2016
	Value ($1,000)				
Capital expenditures	***	***	***	***	***
R&D expenses	***	***	***	***	***
Total assets	1,259,790	1,508,036	1,507,139		
	Percent				
ROA	11.1	7.8	4.5		

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

[21] ***. Email from ***, June 6, 2016.

[22] Planning began for Independence and Searing's new facilities in 2011. Hearing transcript, p. 80.

[23] The return on assets is calculated as operating income divided by total assets. With respect to a firm's overall operations, the total asset value reflects an aggregation of a number of assets which are generally not product specific. Thus, high-level allocations were generally required in order to report a total asset value for HWR tubular products.

Capital and investment

The Commission requested U.S. producers of HWR tubular products to describe any negative effects of imports of HWR tubular products from the subject countries on their firms' return on investment or the scale of capital investments, as well as any negative effects on their firms' growth, ability to raise capital, or existing development and production efforts. A summary of U.S. producers' responses are shown in table VI-5. Firm-specific responses are provided in Appendix H.

Table VI-5
HWR tubular products: Negative effects of imports as reported by U.S. producers, by factor

Factor	Firms reporting (number)
Actual negative effects of imports --	
Investment:	8
Cancellation, postponement, or rejection of expansion projects	7
Denial or rejection of investment proposal	0
Reduction in the size of capital investments	3
Return on specific investments negatively impacted	4
Other	2
Growth and development:	7
Rejection of bank loans	0
Lowering of credit rating	1
Problem related to the issue of stocks or bonds	0
Ability to service debt	2
Other	6
Anticipated negative effects of imports:	13

Note—All firms except *** reported that there were actual investment effects, and all firms except *** reported actual effects on growth and development. All firms reported anticipated negative effects except ***, and all firms except *** reported that their responses did not differ by country.

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

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination 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 under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

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

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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the subsidies was presented earlier in this report; 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*. 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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

THE INDUSTRY IN KOREA

Overview

The Commission issued foreign producers' and exporters' questionnaires to 16 firms believed to produce and/or export HWR tubular products from Korea.[3] The two primary producers of HWR tubular products in Korea are Histeel and Dong-A Steel. The Commission received a usable questionnaire response from one firm: Histeel. This firm's exports to the United States accounted for *** percent of U.S. imports of HWR tubular products from Korea in 2015.[4] According to the estimate provided by Histeel, the production of HWR tubular products in Korea reported in its questionnaire response accounted for *** percent of all production of HWR tubular products in Korea during 2015. Table VII-1 lists certain summary data reported by the responding Korean producer. Histeel did not report any operational changes since January 1, 2013.

Table VII-1
HWR tubular products: Summary data for the producer in Korea, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Operations on HWR tubular products

Table VII-2 presents information on the HWR tubular product operations of the responding Korean producer and exporter for 2013-15, January to March 2015, and January to March 2016, as well as projections for 2016-17. Histeel projects that capacity will remain stable and production will increase, while inventories and total shipments will decrease overall during 2016-17.

Korean capacity for HWR tubular products reported by Histeel *** during calendar years 2013-15 as well as during interim periods January to March 2015 and January to March 2016. Production increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and was *** percent lower during January to March 2016 than during January to March 2015. Capacity utilization increased by *** percentage points from 2013 to 2014, decreased by *** percentage points from 2014 to 2015, and was *** percentage points lower during January to March 2016 than during January to March 2015. In addition, end-of-period inventories increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** percent lower during January to March 2016 than during January to March 2015.

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[3] These firms were identified through a review of information submitted in the petition and contained in ***.

[4] According to ***, other major exporters of rectangular tubular products in Korea include ***.

Table VII-2
HWR tubular products: Data on Korean producer, Histeel, 2013-15, January to March 2015, January to March 2016, and projection calendar years 2016 and 2017

* * * * * * *

Total shipments of the responding Korean producer increased by *** percent from 2013 to 2015 and were *** percent higher during January to March 2016 than during January to March 2015. Home market commercial shipments increased by *** percent from 2013 to 2015 and were *** percent higher during January to March 2016 than during January to March 2015. Home market shipments by the responding Korean producer accounted for *** percent of total shipments during the first quarter of 2016, up from *** percent during the first quarter of 2015.

Exports of HWR tubular products to the United States decreased by *** percent from 2013 to 2015 and were *** percent lower during January to March 2016 than during January to March 2015. Histeel projects that exports to the United States will increase in 2016 but will decline in 2017. As a share of the responding Korean producer's total shipments, exports to the United States decreased from *** percent in 2013 to *** percent in 2015 and were *** percent during January to March 2016 as compared to *** percent during January to March 2015. Exports of HWR tubular products to countries other than the United States decreased by *** percent from 2013 to 2014, increased by *** percent from 2014 to 2015, and were *** percent higher during January to March 2016 than during January to March 2015. Other export markets identified include ***.

Alternative products

As shown in table VII-3, the responding Korean producer produced both subject HWR tubular products and out-of-scope products on the same equipment. Overall capacity utilization decreased from *** percent in 2013 to *** percent in 2014 but increased to *** percent in 2015. Overall capacity utilization was *** percentage points lower during January to March 2016 than during January to March 2015. Production of subject HWR tubular products accounted for *** percent of total production on the same equipment, out-of-scope rectangular products accounted for *** percent, and other out-of-scope products accounted for *** percent in 2015. Other products produced on the same equipment as HWR tubular products include ***. Histeel also reported that ***.

Table VII-3
HWR tubular products: Korean producer Histeel's overall capacity and production on the same equipment as subject production, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Exports

According to Global Trade Atlas ("GTA"), the top export market for rectangular tubular products from Korea is the United States (table VII-4). Japan is the second largest export destination of HWR tubular products from Korea. During 2015, the United States and Japan accounted for 72.3 and 5.7 percent of total exports from Korea of rectangular tubular products, respectively.

Table VII-4
Rectangular tubular products: Korea's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Korea's exports to the United States	59,780	88,064	75,847
Korea's exports to other major destination markets.--Japan	13,317	6,954	5,954
United Arab Emirates	7,497	8,783	5,572
Australia	4,475	2,640	5,107
Mexico	14,429	10,623	4,825
Taiwan	3,378	4,718	2,686
Colombia	834	1,258	1,113
Singapore	2,565	1,273	1,023
Vietnam	611	651	780
All other destination markets	9,848	8,344	2,060
Total Korea exports	116,733	133,308	104,966
	Value (1,000 dollars)		
Korea's exports to the United States	36,412	55,128	42,300
Korea's exports to other major destination markets.--Japan	8,766	4,828	3,523
United Arab Emirates	9,598	16,564	14,986
Australia	3,612	2,028	3,247
Mexico	8,998	7,915	2,950
Taiwan	2,206	2,937	1,379
Colombia	594	925	797
Singapore	1,650	871	638
Vietnam	391	489	483
All other destination markets	7,283	8,598	3,636
Total Korea exports	79,510	100,284	73,939
	Unit value (dollars per short ton)		
Korea's exports to the United States	609	626	558
Korea's exports to other major destination markets.--Japan	658	694	592
United Arab Emirates	1,280	1,886	2,689
Australia	807	768	636
Mexico	624	745	611
Taiwan	653	623	513
Colombia	712	736	716
Singapore	643	684	624
Vietnam	640	751	620
All other destination markets	740	1,030	1,765
Total Korea exports	681	752	704

Table continued on next page.

Table VII-4 -- Continued
Rectangular tubular products: Korea's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Share of quantity (percent)		
Korea's exports to the United States	51.2	66.1	72.3
Korea's exports to other major destination markets.-- Japan	11.4	5.2	5.7
United Arab Emirates	6.4	6.6	5.3
Australia	3.8	2.0	4.9
Mexico	12.4	8.0	4.6
Taiwan	2.9	3.5	2.6
Colombia	0.7	0.9	1.1
Singapore	2.2	1.0	1.0
Vietnam	0.5	0.5	0.7
All other destination markets	8.4	6.3	2.0
Total Korea exports	100.0	100.0	100.0

Note.--Figures may not add up to the totals shown due to rounding.

Source: Official Korean export statistics under HTS subheading 7306.61 as reported by Korea Customs and Trade Development Institution in the IHS/GTA database, accessed on May 3, 2016. HTS subheading 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

THE INDUSTRY IN MEXICO

Overview

The Commission issued foreign producers' and exporters' questionnaires to eight firms believed to produce and/or export HWR tubular products from Mexico.[5] Usable responses to the Commission's questionnaire were received from eight firms: Arco Metal, Forza Steel, Maquilacero (Mexico), Perfiles y Herrajes (Mexico), Prolamsa (Mexico), PYTCO, Regiomontana (Mexico), and Ternium. These firms' exports to the United States accounted for 97.2 percent of U.S. imports of HWR tubular products from Mexico in 2015. According to estimates provided by seven of the responding Mexican producers, the production of HWR tubular products in Mexico reported in questionnaire responses each accounted for *** percent of overall production of HWR tubular products in Mexico in 2015. Table VII-5 presents information on the HWR tubular product operations of the responding Mexican producers and exporters.

[5] These firms were identified through a review of information submitted in the petition and contained in ***.

Table VII-5
HWR tubular products: Summary data for producers in Mexico, 2015

* * * * * * *

Changes in operations

As presented in table VII-6, responding Mexican producers reported several operational changes since January 1, 2013.

Table VII-6
HWR tubular products: Reported changes in operations by firms in Mexico since January 1, 2013

* * * * * * *

Operations on HWR tubular products

Table VII-7 presents information on the HWR tubular product operations of the responding Mexican producers and exporters for 2013-15, January to March 2015, and January to March 2016, as well as projections for 2016-17. Projections indicate that capacity, production, and shipments will increase, while inventories will fluctuate during 2016-17. Mexican capacity for HWR tubular products increased by *** percent from 2013 to 2015 and was *** percent higher during January to March 2016 than during January to March 2015.[6] Production increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and was *** percent lower during January to March 2016 than during January to March 2015. Capacity utilization increased by *** percentage points from 2013 to 2014, decreased by *** percentage points from 2014 to 2015, and was *** percentage points lower during January to March 2016 than during January to March 2015. In addition, end-of-period inventories increased by *** percent from 2013 to 2015 but were *** percent lower during January to March 2016 than during January to March 2015.

Table VII-7
HWR tubular products: Data on the industry in Mexico, 2013-15, January to March 2015, January to March 2016, and projection calendar years 2016 and 2017

* * * * * * *

[6] Mexican respondents allege that their capacity will not increase significantly in the imminent future because recent capacity additions have been absorbed by the domestic market. Mexican respondents' posthearing brief, p. 11.

Total shipments of the responding Mexican producers increased by *** percent from 2013 to 2015 but were *** percent lower during January to March 2016 than during January to March 2015. Home market shipments accounted for *** of total Mexican shipments during 2013-15, increasing from *** percent of total shipments in 2013 to *** percent of total shipments in 2015.[7] Home market sales by the responding Mexican producers accounted for *** percent of total shipments during the first quarter of 2016, up from *** percent during the first quarter of 2015.[8]

Exports of HWR tubular products to the United States increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** percent lower during January to March 2016 than during January to March 2015.[9] Mexican producers projected that exports to the United States will increase during 2016-17.[10] As a share of the responding Mexican producers' total shipments, exports to the United States decreased from *** percent in 2013 to *** percent in 2015, and were *** percent during January to March 2016 as compared to *** percent during January to March 2015. Exports of HWR tubular products to countries other than the United States increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** during January to March 2016.[11] Other export markets identified include ***.[12]

Alternative products

Six out of eight responding Mexican producers produced both subject HWR tubular products and out-of-scope products on the same equipment, as shown in table VII-8. Overall capacity utilization increased from 82.0 percent in 2013 to 86.8 percent in 2014 but decreased to 84.1 percent in 2015. Overall capacity utilization was 1.0 percentage point higher during January to March 2016 than during January to March 2015. Production of subject HWR tubular products accounted for *** percent of total production on the same equipment, out-of-scope rectangular products accounted for *** percent, and other out-of-scope products accounted for *** percent in 2015. Other products produced on the same equipment as HWR tubular

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[7] Prolamsa (Mexico) contends that the increase in home market shipments was due to ***. ***.

[8] Maquilacero (Mexico) noted that the rate of growth of its local sales is still increasing compared to its exports and expects to focus more on the high-end industrial section of its home market in the future. It is even setting up processes to sell HWR tubular products directly to these OEMs and direct suppliers in Mexico. Hearing transcript, pp. 113-115 (Stoupignan).

[9] Maquilacero (Mexico) and Prolamsa (Mexico) also contend that ***. ***; ***.

[10] Mexican respondents argue that the "growing home market for Mexican pipe producers decreases the incentive to ship product to the United States." For example, Mexico has implemented a National Infrastructure Plan, which has contributed to recovery in the Mexican construction industry. Mexican respondents' prehearing brief, pp. 57-58, 61.

[11] Prolamsa (Mexico), ***. ***.

[12] Mexican respondents contend that with "recent changes to the U.S.-Cuban relationship, there are many signs that Cuban demand will increase and Mexico is a logical supplier." Mexican respondents' posthearing brief, exh. 2, p. 8.

products include ***. Additionally, six Mexican producers reported having the ability to shift production from HWR tubular products to out-of-scope products including ***.[13]

Table VII-8
HWR tubular products: Mexican producers' overall capacity and production on the same equipment as subject production, 2013-15, January to June 2015, and January to June 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Overall production capacity	814,408	874,361	952,646	245,205	253,092
Production:					
HWR tubular products	***	***	***	***	***
Out-of-scope rectangular tubular products	***	***	***	***	***
Other products	***	***	***	***	***
Total production	668,104	759,242	800,818	211,372	220,615
	Ratios and shares (percent)				
Overall capacity utilization	82.0	86.8	84.1	86.2	87.2
Share of production:					
HWR tubular products	***	***	***	***	***
Out-of-scope rectangular tubular products	***	***	***	***	***
Other products	***	***	***	***	***
Total production	100.0	100.0	100.0	100.0	100.0

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

Exports

According to GTA, the top export market for rectangular tubular products from Mexico is the United States (table VII-9). Costa Rica is the second largest export destination of HWR tubular products from Mexico. During 2015, the United States and Costa Rica accounted for 92.3 and 4.6 percent of total exports from Mexico of rectangular tubular products, respectively.

[13] Mexican respondents also note that both Maquilacero (Mexico) and Prolamsa (Mexico) have developed products for the high-end industrial sector, which drives demand for LWR tubular products and round tubing. The Mexican respondents therefore allege that these developments do not support product shifting towards higher production of HWR tubular products in the imminent future. Mexican respondents' posthearing brief, p. 13.

Table VII-9
Rectangular tubular products: Mexico's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Mexico's exports to the United States	126,577	134,311	116,155
Mexico's exports to other major destination markets.--			
Costa Rica	12,436	11,614	5,852
Guatemala	1,819	1,168	1,084
El Salvador	1,159	580	849
Belize	456	345	615
Venezuela	7,912	9,359	528
Cuba	258	127	465
Nicaragua	173	255	109
Honduras	41	6	107
All other destination markets	76	61	107
Total Mexico exports	150,907	157,826	125,870
	Value (1,000 dollars)		
Mexico's exports to the United States	101,897	107,280	83,878
Mexico's exports to other major destination markets.--			
Costa Rica	10,258	8,856	3,730
Guatemala	1,563	1,134	901
El Salvador	1,074	547	696
Belize	481	356	549
Venezuela	9,488	11,173	677
Cuba	416	195	671
Nicaragua	167	277	100
Honduras	44	9	201
All other destination markets	228	574	254
Total Mexico exports	125,618	130,401	91,658
	Unit value (dollars per short ton)		
Mexico's exports to the United States	805	799	722
Mexico's exports to other major destination markets.--			
Costa Rica	825	763	637
Guatemala	859	971	832
El Salvador	927	943	820
Belize	1,056	1,030	893
Venezuela	1,199	1,194	1,284
Cuba	1,616	1,540	1,443
Nicaragua	969	1,087	916
Honduras	1,063	1,638	1,888
All other destination markets	2,992	9,359	2,363
Total Mexico exports	832	826	728

Table continued on next page.

Table VII-9 -- Continued
Rectangular tubular products: Mexico's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Share of quantity (percent)		
Mexico's exports to the United States	83.9	85.1	92.3
Mexico's exports to other major destination markets.--			
Costa Rica	8.2	7.4	4.6
Guatemala	1.2	0.7	0.9
El Salvador	0.8	0.4	0.7
Belize	0.3	0.2	0.5
Venezuela	5.2	5.9	0.4
Cuba	0.2	0.1	0.4
Nicaragua	0.1	0.2	0.1
Honduras	0.0[1]	0.0[1]	0.1
All other destination markets	0.1	0.0	0.1
Total Mexico exports	100.0	100.0	100.0

[1] Less than 0.05 percent.

Note.--Figures may not add up to the totals shown due to rounding.

Source: Official export statistics as reported by INEGI in the IHS/GTA database under HTS subheading 7306.61, accessed on May 3, 2016. HTS subheading 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

THE INDUSTRY IN TURKEY

Overview

The Commission issued foreign producers' and exporters' questionnaires to 12 firms believed to produce and/or export HWR tubular products from Turkey.[14] Usable responses to the Commission's questionnaire were received from three firms: Cinar Boru, MMZ Onur, and Ozdemir. The three responding firms' exports to the United States accounted for 61.5 percent of U.S. imports of HWR tubular products from Turkey in 2015. According to estimates provided by two of the responding Turkish producers, the production of HWR tubular products in Turkey reported in questionnaire responses each accounted for *** percent of overall production of HWR tubular products in Turkey in 2015. Table VII-10 presents information on the HWR tubular product operations of the three responding Turkish producers and exporters. Cinar Boru ***.[15]

[14] These firms were identified through a review of information submitted in the petition and contained in ***.

[15] Cinar Boru noted that ***. ***.

Table VII-10
HWR tubular products: Summary data for producers in Turkey, 2015

* * * * * * *

Operations on HWR tubular products

Table VII-11 presents information on HWR tubular product operations of the responding Turkish producers and exporters for 2013-15, January to March 2015, and January to March 2016, as well as projections for 2016-17. Projections indicate that capacity, production, inventories, and total shipments will increase during 2016-17.[16]

Table VII-11
HWR tubular products: Data on the industry in Turkey, 2013-15, January to March 2015, January to March 2016, and projection calendar years 2016 and 2017

* * * * * * *

Turkish capacity of HWR tubular products increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and was *** percent higher during January to March 2016 than during January to March 2015.[17] Production increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and was *** percent lower during January to March 2016 than during January to March 2015. Capacity utilization decreased by *** percentage points from 2013 to 2015 and was *** percentage points lower during January to March 2016 than during January to March 2015. In addition, end-of-period inventories increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** percent higher during January to March 2016 than during January to March 2015.

Total shipments of the responding Turkish producers increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** percent lower during January to March 2016 than during January to March 2015. Home market shipments decreased by *** percent from 2013 to 2014, increased by *** percent from 2014 to 2015, and were *** percent higher during January to March 2016 than during January to March 2015. Home market sales by the responding Turkish producers accounted for *** percent of total shipments during the first quarter of 2016, up from *** percent of total shipments during the first quarter of 2015.

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[16] Turkish respondents note that "Turkey enjoys a stable home market due to its economic growth, large population, and rising incomes. The International Monetary Fund's World Economic Outlook estimates stables economic growth for Turkey through 2021." Turkish respondents' prehearing brief, p. 16.

[17] Ozdemir explained that ***. ***.

Exports of HWR tubular products to the United States increased by *** percent from 2013 to 2014, decreased by *** percent from 2014 to 2015, and were *** during January to March 2016.[18] Turkish producers projected that exports to the United States will decline in 2016 but will increase in 2017. As a share of the responding Turkish producers' total shipments, exports to the United States increased from *** percent in 2013 to *** percent in 2014, decreased to *** percent in 2015, and were *** percent during January to March 2016 as compared to *** percent during January to March 2015. Exports of HWR tubular products to countries other than the United States decreased by *** percent from 2013 to 2014, increased by *** percent from 2014 to 2015, and were *** percent lower during January to March 2016 than during January to March 2015. Other export markets identified include ***.

Alternative products

As shown in table VII-12, all responding Turkish producers produced both subject HWR tubular products and out-of-scope products on the same equipment. Overall capacity utilization decreased from 76.8 percent in 2013 to 74.1 percent in 2015. Overall capacity utilization was 2.9 percentage points lower during January to March 2016 than during January to March 2015. Production of subject HWR tubular products accounted for *** percent of total production on the same equipment, out-of-scope rectangular products accounted for *** percent and other nonsubject products accounted for *** percent in 2015. Other products produced on the same equipment as HWR tubular products include ***.

Table VII-12
HWR tubular products: Turkish producers' overall capacity and production on the same equipment as subject production, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Overall production capacity	312,762	312,762	329,297	80,597	85,492
Production: HWR tubular products	***	***	***	***	***
Out-of-scope rectangular tubular products	***	***	***	***	***
Other products	***	***	***	***	***
Total production	240,336	230,282	243,993	58,693	59,718
	Ratios and shares (percent)				
Overall capacity utilization	76.8	73.6	74.1	72.8	69.9
Share of production: HWR tubular products	***	***	***	***	***
Out-of-scope rectangular tubular products	***	***	***	***	***
Other products	***	***	***	***	***
Total production	100.0	100.0	100.0	100.0	100.0

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

[18] Ozdemir and MMZ Onur contend that ***. Ibid.

Exports

According to GTA, the top export market for HWR tubular products from Turkey is Iraq (table VII-13). The United Kingdom is the second largest export destination of rectangular tubular products from Turkey. During 2015, Iraq and the United Kingdom accounted for 36.4 and 16.8 percent of total exports from Turkey of rectangular tubular products, respectively.

Table VII-13
Rectangular tubular products: Turkey's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Turkey's exports to the United States	37,705	81,768	31,233
Turkey's exports to other major destination markets.--			
Iraq	287,133	267,718	289,174
United Kingdom	104,939	132,188	133,281
Romania	57,154	79,814	88,846
Georgia	25,957	33,422	34,781
Germany	9,433	14,593	28,976
Netherlands	20,851	14,556	25,163
Belgium	17,890	18,950	21,465
Syria	529	11,253	20,075
All other destination markets	126,772	128,183	121,461
Total Turkey exports	688,363	782,445	794,457
	Value (1,000 dollars)		
Turkey's exports to the United States	25,018	53,251	16,965
Turkey's exports to other major destination markets.--			
Iraq	183,680	163,340	136,367
United Kingdom	63,238	78,733	61,699
Romania	33,861	45,620	37,972
Georgia	16,143	20,203	16,264
Germany	6,054	8,480	12,288
Netherlands	12,811	8,500	10,928
Belgium	10,968	10,914	9,381
Syria	293	6,271	8,636
All other destination markets	82,992	81,021	62,123
Total Turkey exports	435,056	476,333	372,623
	Unit value (dollars per short ton)		
Turkey's exports to the United States	664	651	543
Turkey's exports to other major destination markets.--			
Iraq	640	610	472
United Kingdom	603	596	463
Romania	592	572	427
Georgia	622	604	468
Germany	642	581	424
Netherlands	614	584	434
Belgium	613	576	437
Syria	553	557	430
All other destination markets	655	632	511
Total Turkey exports	632	609	469

Table continued on next page.

Table VII-13 -- Continued
Rectangular tubular products: Turkey's exports to its top destination markets and the United States, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Share of quantity (percent)		
Turkey's exports to the United States	5.5	10.5	3.9
Turkey's exports to other major destination markets.--Iraq	41.7	34.2	36.4
United Kingdom	15.2	16.9	16.8
Romania	8.3	10.2	11.2
Georgia	3.8	4.3	4.4
Germany	1.4	1.9	3.6
Netherlands	3.0	1.9	3.2
Belgium	2.6	2.4	2.7
Syria	0.1	1.4	2.5
All other destination markets	18.4	16.4	15.3
Total Turkey exports	100.0	100.0	100.0

Note.--Turkish respondents contend that data obtained from the Turkish Steel Exporters' Association were specific to HWR tubular products, and indicate that the United Kingdom and other European countries have accounted for the majority of Turkish exports of HWR tubular products since 2014. For example, the data show that exports of HWR tubular products from Turkey to the United Kingdom were approximately *** short tons in 2015 while exports from Turkey to the United States were approximately *** short tons in 2015. They also contend that Iraq and Syria are not significant export markets for HWR tubular products from Turkey. Turkish respondents' posthearing brief, p. 12, exh. 1, exh. 6.

Note.--Figures may not add up to the totals shown due to rounding.

Source: Official export statistics as reported by State Institute of Statistics in the IHS/GTA database under HTS subheading 7306.61, accessed on May 3, 2016. HTS subheading 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

THE INDUSTRIES IN THE SUBJECT COUNTRIES

Table VII-14 presents information on the HWR tubular product operations of the producers and exporters in all three subject countries combined during 2013-15, January to March 2015, and January to March 2016, as well as projections for 2016-17.

Table VII-14
HWR tubular products: Data on industry in subject countries, 2013-15, January to March 2015, January to March 2016, and projection calendar years 2016 and 2017

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2013	2014	2015	2015	2016	2016	2017
	Quantity (short tons)						
Capacity	522,131	562,659	551,558	139,014	143,265	589,716	599,733
Production	360,087	437,991	393,100	115,256	101,216	433,744	457,845
End-of-period inventories	44,093	59,532	50,420	56,659	52,618	59,407	48,901
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Home market commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	155,094	210,321	251,592	64,918	69,330	280,945	303,841
Export shipments to:							
United States	128,965	150,499	92,127	37,419	14,022	82,603	96,640
All other markets	63,309	61,733	58,492	15,790	15,665	62,518	67,855
Total exports	192,274	212,232	150,619	53,209	29,687	145,121	164,495
Total shipments	347,368	422,553	402,211	118,127	99,017	426,066	468,336
	Ratios and shares (percent)						
Capacity utilization	69.0	77.8	71.3	82.9	70.6	73.6	76.3
Inventories/production	12.2	13.6	12.8	12.3	13.0	13.7	10.7
Inventories/total shipments	12.7	14.1	12.5	12.0	13.3	13.9	10.4
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Home market commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	44.6	49.8	62.6	55.0	70.0	65.9	64.9
Export shipments to:							
United States	37.1	35.6	22.9	31.7	14.2	19.4	20.6
All other markets	18.2	14.6	14.5	13.4	15.8	14.7	14.5
Total exports	55.4	50.2	37.4	45.0	30.0	34.1	35.1
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-15 presents data on U.S. importers' reported inventories of HWR tubular products.

Table VII-15
HWR tubular products: U.S. importers' inventories, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Imports from Korea:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from Mexico:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from Turkey:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from subject sources:					
Inventories (short tons)	10,634	19,802	9,630	20,916	4,998
Ratio to U.S. imports (percent)	7.1	10.3	7.9	12.0	7.8
Ratio to U.S. shipments of imports (percent)	7.4	10.8	7.3	12.3	6.1
Ratio to total shipments of imports (percent)	7.4	10.8	7.3	12.3	6.1
Imports from Canada:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from all other sources:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from nonsubject sources:					
Inventories (short tons)	869	895	1,123	1,396	893
Ratio to U.S. imports (percent)	0.6	0.5	0.6	0.8	0.4
Ratio to U.S. shipments of imports (percent)	0.6	0.5	0.6	0.8	0.4
Ratio to total shipments of imports (percent)	0.6	0.5	0.6	0.8	0.4

Table continued on next page.

Table VII-15 -- Continued
HWR tubular products: U.S. importers' inventories, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Imports from all import sources:					
Inventories (short tons)	11,503	20,697	10,753	22,312	5,891
Ratio to U.S. imports (percent)	3.9	5.7	3.3	6.3	2.0
Ratio to U.S. shipments of imports (percent)	4.0	5.9	3.2	6.4	1.9
Ratio to total shipments of imports (percent)	4.0	5.9	3.2	6.4	1.9

Note.--*** reported end-of-period inventories. ***. ***. ***. ***.

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

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of HWR tubular products after March 31, 2016. Sixteen firms reported data concerning such imports or arrangements of imports, eight of which reported imports from the subject countries. Data concerning U.S. imports subsequent to March 31, 2016 are presented in table VII-16.

Table VII-16
HWR tubular products: U.S. importers' arranged imports subsequent to March 31, 2016

* * * * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

"Hollow structural sections" exported from Korea and Turkey have been subject to antidumping duties in Canada since 2003. "Hollow structural sections" exported from Korea have also been subject to antidumping duties in Australia since 2012.[19] Semi-annual reports to the World Trade Organization Committee on Anti-Dumping practice were reviewed and no other orders concerning HWR tubular products from Korea, Mexico or Turkey were found.

INFORMATION ON NONSUBJECT COUNTRIES

Table VII-17 presents global exports by subject countries as well as other top exporters. Exports of rectangular tubular products from the subject countries increased from 2013 to 2015. The next largest nonsubject exporters of HWR tubular products in 2015 were China, Italy, and Russia.

[19] Conference transcript, p. 18 (Cloutier); Petitioners' postconference brief, p. 45, exh. 9, and exh. 10; petitioners' prehearing brief, p. 61, exh. 8; Mexican respondents' prehearing brief, p. 65.

Table VII-17
Rectangular tubular products: Global total exports, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
United States	223,387	233,277	210,250
Subject exporters--			
Korea	116,733	133,308	104,966
Mexico	150,907	157,826	125,870
Turkey	688,363	782,445	794,457
Subtotal, subject sources	956,004	1,073,580	1,025,293
Other top exporters--			
China	850,696	1,057,926	1,312,711
Italy	1,054,532	1,230,748	1,310,315
Russia	201,852	278,914	280,476
Canada	218,458	251,492	280,308
Austria	186,281	197,265	201,281
United Kingdom	178,361	191,496	178,628
Germany	156,169	157,504	162,539
Netherlands	134,371	164,572	157,427
Portugal	95,842	121,394	144,761
Poland	119,092	124,422	134,926
Subtotal, top exporters	3,195,656	3,775,733	4,163,372
All other exporting countries	1,651,515	1,530,188	1,348,446
Total global exports	6,026,561	6,612,778	6,747,361
	Value (1,000 dollars)		
United States	244,129	254,328	212,610
Subject exporters--			
Korea	79,510	100,284	73,939
Mexico	125,618	130,401	91,658
Turkey	435,056	476,333	372,623
Subtotal, subject sources	640,184	707,019	538,220
Other top exporters--			
China	661,519	777,496	769,565
Italy	1,051,962	1,187,269	1,016,121
Russia	135,853	165,814	131,581
Canada	207,711	243,396	227,327
Austria	178,757	184,245	149,710
United Kingdom	174,481	188,088	145,297
Germany	230,655	227,216	189,339
Netherlands	105,093	126,720	95,390
Portugal	80,583	94,393	93,852
Poland	90,854	94,458	81,859
Subtotal, top exporters	2,917,467	3,289,096	2,900,041
All other exporting countries	1,426,662	1,290,777	918,141
Total global exports	5,228,442	5,541,220	4,569,012

Table continued on next page.

Table VII-17 -- Continued
Rectangular tubular products: Global total exports, 2013-15

Destination	Calendar year		
	2013	2014	2015
	Unit value (dollars per short ton)		
United States	1,093	1,090	1,011
Subject exporters--			
Korea	681	752	704
Mexico	832	826	728
Turkey	632	609	469
Subtotal, subject sources	670	659	525
Other top exporters--			
China	778	735	586
Italy	998	965	775
Russia	673	594	469
Canada	951	968	811
Austria	960	934	744
United Kingdom	978	982	813
Germany	1,477	1,443	1,165
Netherlands	782	770	606
Portugal	841	778	648
Poland	763	759	607
Subtotal, top exporters	913	871	697
All other exporting countries	864	844	681
Total global exports	868	838	677
	Share of quantity (percent)		
United States	3.7	3.5	3.1
Subject exporters--			
Korea	1.9	2.0	1.6
Mexico	2.5	2.4	1.9
Turkey	11.4	11.8	11.8
Subtotal, subject sources	15.9	16.2	15.2
Other top exporters--			
China	14.1	16.0	19.5
Italy	17.5	18.6	19.4
Russia	3.3	4.2	4.2
Canada	3.6	3.8	4.2
Austria	3.1	3.0	3.0
United Kingdom	3.0	2.9	2.6
Germany	2.6	2.4	2.4
Netherlands	2.2	2.5	2.3
Portugal	1.6	1.8	2.1
Poland	2.0	1.9	2.0
Subtotal, top exporters	53.0	57.1	61.7
All other exporting countries	27.4	23.1	20.0
Total global exports	100.0	100.0	100.0

Footnotes continued on next page.

Table VII-17 -- Continued
Rectangular tubular products: Global total exports, 2013-15

Note.--Italy was the world's largest exporter of square and rectangular tubing, including HWR tubular products during 2013-2015, with exports of 1.3 million short tons in 2015. Exports to other European countries accounted for about 98 percent of Italy's exports. Official export statistics as reported by Eurostat in the IHS/GTA database under HTS subheading 7306.61, accessed June 6, 2016. HTS 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

Note.--China is the world's second-largest exporter of square and rectangular tubing, including HWR tubular products during 2013-2015, and its exports of 1.3 million short tons in 2015 slightly exceeded those of Italy. As shown in table VII-19, China's exports are distributed widely throughout Asia, Africa and the Middle East. Exports of square and rectangular tubing from China increased 54 percent from 2013 to 2015. Official export statistics as reported by China Customs in the IHS/GTA database under HTS subheading 7306.61, accessed May 3, 2016. HTS 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

Source: Official exports statistics under HTS subheading 7306.61 as reported by each country's statistical authority in the IHS/GTA database, accessed on May 3, 2015. HTS subheading 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

The industry in Canada

Canada was the largest source of imports into the United States of HWR tubular goods during 2013-15. The industry producing HWR tubular products in Canada includes two firms that are affiliated with petitioners in these investigations, Atlas Tube and Bull Moose Tube, as well as several other firms. No published data on Canadian production of HWR tubular products are available. However, total production of welded carbon-steel structural tubing and piling was an estimated *** short tons in 2015,[20] most consisting of HWR tubular products.[21] Canada's exports of all square and rectangular steel tubing amounted to 280,308 short tons in 2015, of which 99.7 percent went to the United States.[22] Canada reported imports of all welded square and rectangular tubing of 148,000 short tons in 2015, of which 135,000 short tons (90.9 percent) were from the United States.[23]

Petitioner Atlas Tube regularly imports HWR tubular products from Canada to the United States and exports HWR tubular products from the United States to Canada.[24] To serve its customers in both Canada and the United States, Atlas determines whether to produce HWR tubular products in the United States or Canada based on which location offers the more

[20] Preston Pipe and Tube Report, February 2016, p. 76. (Estimated production was derived by the calculation of apparent consumption plus exports minus imports).
[21] Staff telephone interview with ***, August 10, 2015.
[22] *See* table VII-18.
[23] IHS/GTA database, accessed on June 13, 2016.
[24] Hearing transcript, p. 34 (Muth).

advantageous costs, including freight cost to the customers' location.[25] In addition, petitioner Bull Moose produces *** HWR tubular products in Canada.[26]

Producers of HWR tubular products in Canada were asked to provide data on their capacity, production, and exports in 2015. Responses were received from two major producers, indicating that their production of HWR tubular products was *** short tons, which was *** percent of their capacity of *** short tons. These producers also reported home market shipments of *** short tons and export shipments to the United States of *** short tons.

Table VII-18 presents Canadian exports of rectangular tubular products by destination market during 2013-15.

[25] Hearing transcript, pp. 34, 68 (Muth).
[26] ***. ***.

Table VII-18
Rectangular tubular products: Canada's exports to its top destination markets and the United States, 2013-15

Item	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Canada's exports to the United States	218,019	251,034	279,582
Canada's exports to other major destination markets.--India	0	0	420
United Arab Emirates	42	45	103
Cuba	31	49	68
Saudi Arabia	0	0	63
Korea South	66	0	31
United Kingdom	8	19	12
Mexico	1	0	9
Netherlands	0	0	6
All other destination markets	291	345	14
Total Canada exports	218,458	251,492	280,308
	Share of quantity (percent)		
Canada's exports to the United States	99.8	99.8	99.7
Canada's exports to other major destination markets.--India	0.0	0.0	0.1
United Arab Emirates	0.0	0.0	0.0
Cuba	0.0	0.0	0.0
Saudi Arabia	0.0	0.0	0.0
Korea South	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0
Mexico	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0
All other destination markets	0.1	0.1	0.0
Total Canada exports	100.0	100.0	100.0

Note.--Figures may not add up to the totals shown due to rounding.

Source: Official export statistics as reported by Statistics Canada in the IHS/GTA database under HTS subheading 7306.61, accessed May 3, 2016. HTS 7306.61 includes all rectangular (including square) tube, including product with a wall thickness less than 4mm, and out-of-scope stainless steel tube.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
80 FR 44383 July 27, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-07-27/pdf/2015-18288.pdf
80 FR 49202 August 17, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea, Mexico, and the Republic of Turkey: Initiation of Less-Than-Fair-Value Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-08-17/pdf/2015-20271.pdf
80 FR 49207 August 17, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Initiation of Countervailing Duty Investigation*	http://www.gpo.gov/fdsys/pkg/FR-2015-08-17/pdf/2015-20270.pdf
80 FR 54802 September 11, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Korea, Mexico, and Turkey; Determinations*	https://www.gpo.gov/fdsys/pkg/FR-2015-09-11/pdf/2015-22883.pdf
80 FR 62023 October 15, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Postponement of Preliminary Determination in the Countervailing Duty Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2015-10-15/pdf/2015-26274.pdf

Citation	Title	Link
80 FR 76269 December 8, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea, Mexico, and the Republic of Turkey: Postponement of Preliminary Determinations of Antidumping Duty Investigations*	https://www.gpo.gov/fdsys/pkg/FR-2015-12-08/pdf/2015-30897.pdf
80 FR 80749 December 28, 2015	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination*	https://www.gpo.gov/fdsys/pkg/FR-2015-12-28/pdf/2015-32631.pdf
81 FR 10583 March 1, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Turkey: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*	https://www.gpo.gov/fdsys/pkg/FR-2016-03-01/pdf/2016-04512.pdf
81 FR 10585 March 1, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*	https://www.gpo.gov/fdsys/pkg/FR-2016-03-01/pdf/2016-04520.pdf
81 FR 10587 March 1, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Mexico: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*	https://www.gpo.gov/fdsys/pkg/FR-2016-03-01/pdf/2016-04511.pdf

Citation	Title	Link
81 FR 13820 March 15, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Korea, Mexico, and Turkey; Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations*	https://www.gpo.gov/fdsys/pkg/FR-2016-03-15/pdf/2016-05812.pdf
81 FR 47347 July 21, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From the Republic of Korea: Final Determination of Sales at Less Than Fair Value*	https://www.gpo.gov/fdsys/pkg/FR-2016-07-21/pdf/2016-17313.pdf
81 FR 47352 July 21, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Mexico: Final Determination of Sales at Less Than Fair Value*	https://www.gpo.gov/fdsys/pkg/FR-2016-07-21/pdf/2016-17314.pdf
81 FR 47355 July 21, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Turkey: Final Determination of Sales at Less Than Fair Value*	https://www.gpo.gov/fdsys/pkg/FR-2016-07-21/pdf/2016-17316.pdf
81 FR 47349 July 21, 2016	*Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes From Turkey: Final Affirmative Countervailing Duty Determination*	https://www.gpo.gov/fdsys/pkg/FR-2016-07-21/pdf/2016-17315.pdf

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject:	Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey
Inv. Nos.:	701-TA-539 and 731-TA-1280-1282 (Final)
Date and Time:	July 14, 2016 - 9:30 am

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

CONGRESSIONAL APPEARANCE:

The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana

The Honorable Pete Aguilar, U.S. Representative, 31st District, California

OPENING REMARKS:

Petitioners (**Paul W. Jameson**, Schagrin Associates)
Respondents (**John M. Gurley**, Arent Fox LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Schagrin Associates
Washington, DC
on behalf of

Atlas Tube; Bull Moose Tube Company; EXLTUBE; Hannibal Industries, Inc.; Independence Tube Corporation; Maruichi American Corporation; Searing Industries; Southland Tube; and Vest, Inc.

Tom Muth, President, HSS and Piling Pipe, Atlas Tube

Michael Blatz, President, Bull Moose Tube

Bill Snyder, President, EXLTUBE

Rick Werner, President, Independence Tube Corporation

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Richard Searing, Executive Vice President of Operations,
Searing Industries

Roger B. Schagrin)
Paul W. Jameson) – OF COUNSEL
Christopher T. Cloutier)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Arent Fox LLP
Washington, DC
on behalf of

Maquilacero S.A. de C.V.; Regiomontana de Perfiles y
Tubos, S.A. de C.V.; Perfiles y Herrajes L.M., S.A. de C.V.;
Productos Laminados de Monterrey S.A. de C.V.; and
Forza Steel

Carlos R. Stoupignan Guevara, Director General,
Maquilacero S.A. de C.V.

John M. Gurley)
) – OF COUNSEL
Nancy A. Noonan)

Arent Fox LLP
Washington, DC
on behalf of

Özdemir Boru Profil Sanayi ve Ticaret Limited Şirket;
Istanbul Minerals and Metals Exporters Association ("IMMIB") and its members;
and the Turkish Steel Exporters' Association and its members
(collectively, the "Turkish Producers and Exporters")

Kevin McManus, Trading Manager, TATA International
Metals (Americas) Limited

Matthew M. Nolan)
) – OF COUNSEL
Aman Kakar)

REBUTTAL/CLOSING REMARKS:

Petitioners (**Roger B. Schagrin**, Schagrin Associates)
Respondents (**John M. Gurley** *and* **Matthew M. Nolan**, Arent Fox LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
HWR tubular products: Summary data concerning the U.S. market, 2013-15, January to March 2015, and January to March 2016
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2013	2014	2015	2015	2016	2013-15	2013-14	2014-15	2015-16
U.S. consumption quantity:									
Amount	2,003,008	2,091,311	1,961,811	515,200	511,159	(2.1)	4.4	(6.2)	(0.8)
Producers' share (fn1)	82.4	79.2	78.6	77.1	81.7	(3.8)	(3.2)	(0.6)	4.7
Importers' share (fn1):									
Korea	2.9	4.0	3.9	4.9	2.1	1.0	1.1	(0.1)	(2.7)
Mexico	3.3	3.5	2.4	3.1	1.7	(0.9)	0.1	(1.1)	(1.4)
Turkey	2.4	3.0	1.9	2.8	0.3	(0.6)	0.6	(1.2)	(2.5)
Subject sources	8.6	10.5	8.1	10.7	4.1	(0.5)	1.9	(2.4)	(6.6)
Canada	8.0	9.1	10.8	8.9	13.0	2.9	1.1	1.7	4.1
All other sources	1.0	1.2	2.5	3.4	1.2	1.4	0.2	1.2	(2.2)
Nonsubject sources	9.0	10.3	13.3	12.2	14.2	4.3	1.3	3.0	1.9
Total imports	17.6	20.8	21.4	22.9	18.3	3.8	3.2	0.6	(4.7)
U.S. consumption value:									
Amount	1,711,944	1,831,380	1,427,718	420,626	322,378	(16.6)	7.0	(22.0)	(23.4)
Producers' share (fn1)	82.7	80.2	77.8	77.0	80.8	(4.9)	(2.5)	(2.4)	3.8
Importers' share (fn1):									
Korea	2.3	3.1	3.2	4.0	1.6	1.0	0.8	0.1	(2.4)
Mexico	3.1	3.0	2.3	2.7	1.6	(0.8)	(0.1)	(0.8)	(1.1)
Turkey	2.1	2.6	1.7	2.4	0.2	(0.4)	0.5	(0.8)	(2.2)
Subject sources	7.5	8.7	7.2	9.1	3.4	(0.2)	1.2	(1.5)	(5.7)
Canada	8.7	9.8	11.8	9.6	14.4	3.0	1.1	1.9	4.8
All other sources	1.2	1.4	3.2	4.3	1.3	2.1	0.2	1.9	(2.9)
Nonsubject sources	9.9	11.2	15.0	13.9	15.8	5.1	1.3	3.8	1.9
Total imports	17.3	19.8	22.2	23.0	19.2	4.9	2.5	2.4	(3.8)
U.S. imports from:									
Korea:									
Quantity	57,347	83,326	76,183	24,992	10,976	32.8	45.3	(8.6)	(56.1)
Value	38,601	56,619	46,221	16,769	5,200	19.7	46.7	(18.4)	(69.0)
Unit value	$673	$679	$607	$671	$474	(9.9)	0.9	(10.7)	(29.4)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Mexico:									
Quantity	66,464	72,363	46,647	15,940	8,668	(29.8)	8.9	(35.5)	(45.6)
Value	53,200	55,240	32,308	11,543	5,304	(39.3)	3.8	(41.5)	(54.0)
Unit value	$800	$763	$693	$724	$612	(13.5)	(4.6)	(9.3)	(15.5)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity	48,123	63,353	36,294	14,183	1,332	(24.6)	31.6	(42.7)	(90.6)
Value	35,876	46,973	24,486	10,052	605	(31.7)	30.9	(47.9)	(94.0)
Unit value	$746	$741	$675	$709	$454	(9.5)	(0.5)	(9.0)	(36.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subject sources:									
Quantity	171,935	219,042	159,123	55,116	20,976	(7.5)	27.4	(27.4)	(61.9)
Value	127,678	158,832	103,015	38,365	11,108	(19.3)	24.4	(35.1)	(71.0)
Unit value	$743	$725	$647	$696	$530	(12.8)	(2.4)	(10.7)	(23.9)
Ending inventory quantity	10,634	19,802	9,630	20,916	4,998	(9.4)	86.2	(51.4)	(76.1)
Canada:									
Quantity	159,616	190,157	212,272	45,656	66,386	33.0	19.1	11.6	45.4
Value	149,205	179,657	167,807	40,448	46,561	12.5	20.4	(6.6)	15.1
Unit value	$935	$945	$791	$886	$701	(15.4)	1.1	(16.3)	(20.8)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	20,343	25,432	48,362	17,388	5,972	137.7	25.0	90.2	(65.7)
Value	20,054	24,971	46,130	18,034	4,324	130.0	24.5	84.7	(76.0)
Unit value	$986	$982	$954	$1,037	$724	(3.2)	(0.4)	(2.9)	(30.2)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	179,959	215,589	260,634	63,044	72,359	44.8	19.8	20.9	14.8
Value	169,259	204,627	213,937	58,482	50,885	26.4	20.9	4.5	(13.0)
Unit value	$941	$949	$821	$928	$703	(12.7)	0.9	(13.5)	(24.2)
Ending inventory quantity	869	895	1,123	1,396	893	29.2	3.0	25.5	(36.0)
Total imports:									
Quantity	351,893	434,631	419,757	118,160	93,335	19.3	23.5	(3.4)	(21.0)
Value	296,937	363,459	316,952	96,847	61,994	6.7	22.4	(12.8)	(36.0)
Unit value	$844	$836	$755	$820	$664	(10.5)	(0.9)	(9.7)	(19.0)
Ending inventory quantity	11,503	20,697	10,753	22,312	5,891	(6.5)	79.9	(48.0)	(73.6)

Table continued.

Table C-1--Continued

HWR tubular products: Summary data concerning the U.S. market, 2013-15, January to March 2015, and January to March 2016

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2013	2014	2015	2015	2016	2013-15	2013-14	2014-15	2015-16
U.S. producers':									
Average capacity quantity	2,756,509	2,744,367	2,666,239	662,306	680,787	(3.3)	(0.4)	(2.8)	2.8
Production quantity	1,766,821	1,794,886	1,590,394	413,232	421,201	(10.0)	1.6	(11.4)	1.9
Capacity utilization (fn1)	64.1	65.4	59.6	62.4	61.9	(4.4)	1.3	(5.8)	(0.5)
U.S. shipments:									
Quantity	1,651,115	1,656,680	1,542,054	397,040	417,824	(6.6)	0.3	(6.9)	5.2
Value	1,415,007	1,467,921	1,110,766	323,779	260,384	(21.5)	3.7	(24.3)	(19.6)
Unit value	$857	$886	$720	$815	$623	(15.9)	3.4	(18.7)	(23.6)
Export shipments:									
Quantity	122,744	125,504	72,953	25,172	12,873	(40.6)	2.2	(41.9)	(48.9)
Value	100,127	106,268	52,481	18,104	7,653	(47.6)	6.1	(50.6)	(57.7)
Unit value	$816	$847	$719	$719	$595	(11.8)	3.8	(15.0)	(17.3)
Ending inventory quantity	234,300	246,628	221,569	237,429	207,313	(5.4)	5.3	(10.2)	(12.7)
Inventories/total shipments (fn1)	13.2	13.8	13.7	14.1	12.0	0.5	0.6	(0.1)	(2.0)
Production workers	1,115	1,190	1,132	1,160	1,125	1.5	6.7	(4.9)	(3.0)
Hours worked (1,000s)	2,386	2,562	2,447	636	634	2.6	7.4	(4.5)	(0.3)
Wages paid ($1,000)	67,349	74,627	70,355	18,036	18,086	4.5	10.8	(5.7)	0.3
Hourly wages (dollars)	$28.23	$29.13	$28.75	$28.36	$28.53	1.9	3.2	(1.3)	0.6
Productivity (short tons per 1,000 hours	740.5	700.6	649.9	649.7	664.4	(12.2)	(5.4)	(7.2)	2.2
Unit labor costs	$38.12	$41.58	$44.24	$43.65	$42.94	16.1	9.1	6.4	(1.6)
Net sales:									
Quantity	1,773,860	1,782,185	1,615,006	422,212	430,698	(9.0)	0.5	(9.4)	2.0
Value	1,515,133	1,574,190	1,163,246	341,884	268,037	(23.2)	3.9	(26.1)	(21.6)
Unit value	$854	$883	$720	$810	$622	(15.7)	3.4	(18.5)	(23.1)
Cost of goods sold (COGS)	1,302,168	1,366,092	1,018,339	308,047	222,199	(21.8)	4.9	(25.5)	(27.9)
Gross profit or (loss)	212,965	208,098	144,907	33,837	45,838	(32.0)	(2.3)	(30.4)	35.5
SG&A expenses	73,063	90,725	76,582	22,310	23,476	4.8	24.2	(15.6)	5.2
Operating income or (loss)	139,902	117,373	68,325	11,527	22,362	(51.2)	(16.1)	(41.8)	94.0
Net income or (loss)	112,643	87,346	42,820	4,198	15,113	(62.0)	(22.5)	(51.0)	260.0
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	$734	$767	$631	$730	$516	(14.1)	4.4	(17.7)	(29.3)
Unit SG&A expenses	$41	$51	$47	$53	$55	15.1	23.6	(6.9)	3.2
Unit operating income or (loss)	$79	$66	$42	$27	$52	(46.4)	(16.5)	(35.8)	90.2
Unit net income or (loss)	$64	$49	$27	$10	$35	(58.2)	(22.8)	(45.9)	252.9
COGS/sales (fn1)	85.9	86.8	87.5	90.1	82.9	1.6	0.8	0.8	(7.2)
Operating income or (loss)/sales (fn1)	9.2	7.5	5.9	3.4	8.3	(3.4)	(1.8)	(1.6)	5.0
Net income or (loss)/sales (fn1)	7.4	5.5	3.7	1.2	5.6	(3.8)	(1.9)	(1.9)	4.4

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics (see part IV for details).

APPENDIX D

NONSUBJECT COUNTRY PRICE DATA

Two importers reported price data for nonsubject Canadian HWR tubular products for products 1 through 5. Price data reported by these firms accounted for 6.7 percent of the value of U.S. commercial shipments from Canada in 2015. These price items and accompanying data are comparable to those presented in tables V-4 to V-8. Price and quantity data for Canada are shown in tables D-1 to D-5 and in figure D-1 to D-5 (with domestic and subject sources).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from Canada were lower than prices for U.S.-produced product in 42 instances and higher in 11 instances. In comparing nonsubject country pricing data with subject country pricing data, prices for product imported from Canada were lower than prices for product imported from subject countries in 25 instances and higher in 123 instances. A summary of price differentials is presented in table D-6.

Table D-1
HWR tubular products: Weighted-average f.o.b. prices and quantities of imported product 1,[1] by quarters, January 2013 - March 2016

Period	United States		Canada	
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)
2013:				
Jan.-Mar.	2.27	3,305,789	--	0
Apr.-Jun.	2.21	2,962,303	--	0
Jul.-Sep.	2.28	2,997,880	--	0
Oct.-Dec.	2.34	3,107,585	***	***
2014:				
Jan.-Mar.	2.41	2,746,151	--	0
Apr.-Jun.	2.38	3,019,489	--	0
Jul.-Sep.	2.35	3,193,544	--	0
Oct.-Dec.	2.28	2,829,902	--	0
2015:				
Jan.-Mar.	2.15	3,067,727	--	0
Apr.-Jun.	1.87	2,954,742	--	0
Jul.-Sep.	1.82	2,811,661	--	0
Oct.-Dec.	1.65	2,705,729	--	0
2016:				
Jan.-Mar.	1.62	3,235,710	--	0

[1] Product 1: 2 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table D-2
HWR tubular products: Weighted-average f.o.b. prices and quantities of imported product 2,[1] by quarters, January 2013 - March 2016

Period	United States		Canada	
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)
2013:				
Jan.-Mar.	3.69	2,351,679	***	***
Apr.-Jun.	3.63	2,308,602	***	***
Jul.-Sep.	3.71	2,109,582	***	***
Oct.-Dec.	3.80	2,140,540	***	***
2014:				
Jan.-Mar.	3.88	2,088,349	***	***
Apr.-Jun.	3.91	2,307,468	***	***
Jul.-Sep.	3.81	2,288,748	***	***
Oct.-Dec.	3.73	2,089,081	***	***
2015:				
Jan.-Mar.	3.47	2,097,140	***	***
Apr.-Jun.	3.06	2,337,499	***	***
Jul.-Sep.	2.90	2,034,113	***	***
Oct.-Dec.	2.68	1,850,003	***	***
2016:				
Jan.-Mar.	2.64	2,425,228	***	***

[1] Product 2: 3 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table D-3
HWR tubular products: Weighted-average f.o.b. prices and quantities of imported product 3,[1] by quarters, January 2013 - March 2016

Period	United States		Canada	
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)
2013:				
Jan.-Mar.	5.29	2,845,417	***	***
Apr.-Jun.	5.15	2,844,843	***	***
Jul.-Sep.	5.33	2,826,377	***	***
Oct.-Dec.	5.47	2,647,396	***	***
2014:				
Jan.-Mar.	5.59	2,699,800	***	***
Apr.-Jun.	5.53	2,830,361	***	***
Jul.-Sep.	5.44	2,972,762	***	***
Oct.-Dec.	5.29	2,705,750	***	***
2015:				
Jan.-Mar.	5.00	2,673,195	***	***
Apr.-Jun.	4.34	2,728,661	***	***
Jul.-Sep.	4.16	2,472,190	***	***
Oct.-Dec.	3.80	2,435,732	***	***
2016:				
Jan.-Mar.	3.76	2,951,317	***	***

[1] Product 3: 4 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table D-4
HWR tubular products: Weighted-average f.o.b. prices and quantities of imported product 4,[1] by quarters, January 2013 - March 2016

Period	United States		Canada	
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)
2013:				
Jan.-Mar.	7.97	1,142,134	***	***
Apr.-Jun.	7.82	1,159,084	***	***
Jul.-Sep.	8.10	1,107,218	***	***
Oct.-Dec.	8.29	1,143,476	***	***
2014:				
Jan.-Mar.	8.47	1,032,088	***	***
Apr.-Jun.	8.30	1,140,587	***	***
Jul.-Sep.	8.26	1,176,296	***	***
Oct.-Dec.	7.95	1,104,467	***	***
2015:				
Jan.-Mar.	7.50	999,182	***	***
Apr.-Jun.	6.47	1,068,221	***	***
Jul.-Sep.	6.20	1,088,519	***	***
Oct.-Dec.	5.67	970,737	***	***
2016:				
Jan.-Mar.	5.63	1,181,173	***	***

[1] Product 4: 6 inch square ASTM A 500 Grade B with a wall thickness of 0.25 inch, length 20 feet or more.

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

Table D-5
HWR tubular products: Weighted-average f.o.b. prices and quantities of imported product 5,[1] by quarters, January 2013 - March 2016

Period	United States		Canada	
	Price (dollar per foot)	Quantity (feet)	Price (dollar per foot)	Quantity (feet)
2013:				
Jan.-Mar.	20.81	211,007	***	***
Apr.-Jun.	20.54	228,844	***	***
Jul.-Sep.	20.90	206,887	***	***
Oct.-Dec.	21.55	225,599	***	***
2014:				
Jan.-Mar.	22.18	228,672	***	***
Apr.-Jun.	21.85	206,152	***	***
Jul.-Sep.	21.93	217,880	***	***
Oct.-Dec.	21.88	211,021	***	***
2015:				
Jan.-Mar.	19.38	194,982	***	***
Apr.-Jun.	16.91	214,543	***	***
Jul.-Sep.	16.38	174,158	***	***
Oct.-Dec.	15.05	166,924	***	***
2016:				
Jan.-Mar.	14.47	178,028	***	***

[1] Product 5: 8 inch square ASTM A 500 Grade B with a wall thickness of 0.5 inch, length 20 feet or more.

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

Figure D-1
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2013 - March 2016

* * * * * * *

Figure D-2
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2013 - March 2016

* * * * * * *

Figure D-3
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2013 - March 2016

* * * * * * *

Figure D-4
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2013 - March 2016

* * * * * * *

Figure D-5
HWR tubular products: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2013 - March 2016

* * * * * * *

Table D-6
Product: Summary of underselling/(overselling), by country, January 2013-March 2016

Comparison	Total number of comparisons	Canada lower than the comparison source		Canada higher than the comparison source	
		Number of quarters	Quantity (short tons)	Number of quarters	Quantity (short tons)
Nonsubject vs United States:					
Canada vs. United States	53	42	3,616,415	11	378,093
Nonsubject vs subject countries:					
Canada vs. Korea	53	10	1,426,219	43	2,568,289
Canada vs. Mexico	46	5	587,113	41	3,180,462
Canada vs. Turkey	49	10	983,373	39	2,593,370

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

APPENDIX E

LOST SALES AND LOST REVENUE ALLEGATIONS FROM THE PRELIMINARY PHASE OF THE INVESTIGATIONS

LOST SALES AND LOST REVENUE

Effective October 1, 2015, the Commission changed its rules associated with domestic industry provision of allegations of lost sales and lost revenue. The Commission rules were changed to ask petitioners to provide a list of purchasers where they lost sales or revenue, instead of transaction-specific incidents. This appendix contains the information from the preliminary phase related to lost sales and lost revenue allegations under the prior Commission rules.

The Commission requested U.S. producers of HWR tubular products to report any instances of lost sales or revenue they experienced due to competition from imports of HWR tubular products from Korea, Mexico, and Turkey since 2012. Most responding U.S. producers reported that they had to either reduce prices or roll back announced price increases because of imports from Korea (10 of 12) and from Mexico and Turkey (9 of 11). Most responding producers reported they had lost sales because of imports (9 of 11 responding producers for Korea, 9 of 10 for Mexico, and 8 of 10 for Turkey). The 80 lost sales allegations totaled $87.7 million and involved 95,760 short tons of HWR tubular products. The 70 lost revenue allegations totaled $7.6 million and involved 82,973 short tons of HWR tubular products. Staff contacted 14 purchasers and a summary of the information obtained follows (tables E-1 and E-2). Purchasers confirmed 23 lost sales allegations totaling $*** and including *** short tons. Purchasers confirmed 19 lost revenue allegations totaling $*** and including *** short tons.

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of HWR tubular products from U.S. producers to suppliers of HWR tubular products from Korea, Mexico, and Turkey since 2012. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of HWR tubular products from Korea, Mexico, and Turkey (table E-3). Ten of the 15[1] responding purchasers reported that they had shifted purchases of HWR tubular products from U.S. producers to subject imports since 2012; all 10 of these purchasers reported that price was the reason for the shift. Seven purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2012.

Both Mexican and Turkish respondents report that most the lost sales and lost revenue allegations are for imports from Korea, while there are relatively few lost sales or lost revenue allegations for imports from Mexico or Turkey.[2]

Table E-1
HWR tubular products: U.S. producers' lost sales allegations

* * * * * * *

[1] This includes three that reported that they had not shifted to subject imports, and two firms that responded that they did not know.

[2] Mexican respondents' postconference brief, p. 29 and Turkish respondents' postconference brief, p. 7.

Table E-2
HWR tubular products: U.S. producers' lost revenue allegations

* * * * * * *

Table E-3
HWR tubular products: Purchasers' responses regarding shifting supply and price reductions

* * * * * * *

Additional comments

Purchasers contacted regarding lost sales and/or lost revenue allegations were also asked how often and by how much U.S. producers had reduced their prices in order to compete with imports and for additional comments. Responses are below.

***

"***."

"***."

***

U.S. industry reduced price by "***." "***."

***

"***."

***

"***." "***."

***

"***."

***

"***."

***

"***." "***."

***

"***."

***

Price reductions were "***."

APPENDIX F

INFORMATION ON FURTHER PROCESSED HWR TUBULAR PRODUCTS

FURTHER PROCESSED HWR TUBULAR PRODUCTS

In the final phase of these investigations, Mexican respondent Prolamsa (Mexico) argued in its comments to draft questionnaires that the Commission should collect data regarding certain parts manufactured from HWR tubular products.[1] Prolamsa (Mexico) believed that the manufacturing of further processed HWR tubular products is performed on costly machines, which are separate from the basic mills used to form HWR tubular products, by separate companies that must undergo an extensive qualification process. Prolamsa (Mexico) also stated that further processed HWR tubular products have different physical characteristics that result in different prices and cost structures when compared to non-fabricated HWR tubular products.[2] [3]

Table F-1 presents a summary of U.S. producers', U.S. fabricators', and U.S. purchasers' comparisons of HWR tubular products and further processed HWR tubular products. The majority of responding U.S. producers indicated that HWR tubular products are never comparable to further processed HWR tubular products with regard to characteristics and uses, interchangeability, manufacturing facilities and employees, channels of distribution, market perceptions, and price.[4] The majority of responding U.S. fabricators indicated that HWR tubular products are sometimes or never comparable to further processed HWR tubular products with regard to characteristics and uses, interchangeability, manufacturing facilities and employees, channels of distribution, market perceptions, and price.

---

[1] Further processed HWR tubular products for use as parts ("further processed HWR tubular products") are defined as products that have been further manufactured beyond tube formation through one or more of the following processes – laser cutting, drilling, perforation, and bending – and that are dedicated for use in producing an industrial product. Cutting-to-length, deburring, and/or drilling of one or more holes in a tube does not advance the product outside of the HTS subheadings referenced above and does not constitute manufacture of HWR tubular products.

[2] Prolamsa (Mexico)'s comments on draft questionnaires, pp. 2-3. Mexican respondents subsequently did not take a position regarding the domestic like product. Hearing transcript, p. 163 (Gurley).

[3] Eight additional questionnaires were sent to U.S. purchasers that indicated that they further process HWR tubular products, which are consumed internally or subsequently sold to other customers. These firms are referred to as "U.S. fabricators" in this report. Usable data regarding the operations of further processed HWR tubular products were received from two U.S. fabricators: ***. Six of the remaining U.S. fabricators, ***, were not able to provide usable data because they do not have the technology to track this information. However, they provided narrative responses regarding the comparability between HWR tubular products and further processed HWR tubular products. They also provided information regarding the nature of these value-added operations as well as their capital and investment sources.

[4] Petitioners believe that the Commission's inclusion of HWR tubular products that have undergone some minor processing in Commerce's scope during the preliminary phase of these investigations does not change this conclusion during the final phase of these investigations, "even if minor processing can dictate a particular end use." Petitioners' prehearing brief, pp. 36-38.

Table F-1

HWR tubular products: U.S. producers', U.S. fabricators' and U.S. purchasers' comparability of HWR tubular products and further processed HWR tubular products by factor

	Number of U.S. producers of HWR reporting				Number of fabricators that further process HWR reporting				Number of U.S. purchasers reporting			
Factor being compared	A	F	S	N	A	F	S	N	A	F	S	N
Characteristics and end uses	0	0	1	2	1	1	3	3	2	4	1	0
Interchangeability	0	0	0	2	0	0	3	4	1	2	1	3
Manufacturing facilities and employees	0	1	0	2	0	1	2	4	2	1	1	1
Channels of distribution	0	0	1	2	1	0	3	3	1	3	3	0
Market perceptions	0	0	0	2	0	1	3	4	2	0	2	0
Price	0	0	0	2	0	1	1	6	0	2	1	3

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

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

U.S. purchasers indicated a variety of responses with regard to the comparability of HWR tubular products and further processed HWR tubular products. The majority of U.S. purchasers reported that HWR tubular products are frequently comparable to further processed HWR tubular products with regard to characteristics and end uses. U.S. purchasers indicated that the channels of distribution of HWR tubular products were frequently or sometimes comparable to further processed HWR tubular products. Different purchasers reported various degrees of comparability between HWR tubular products and further processed HWR tubular products with regard to interchangeability, manufacturing facilities and employees, market perceptions, and price.

Physical characteristics

U.S. producers indicated in their questionnaire responses that HWR tubular products are generally not comparable to further processed HWR tubular products with regard to physical characteristics and uses, although it depends on the end use of each type of product. ***, noted that HWR tubular products "***." Petitioners explained that "at some point, further processing is so extensive the product leaves the scope. {…} HWR that undergoes some minimal level of further processing does not automatically become a different product."[5]

The majority of U.S. fabricators indicated in their questionnaire responses that HWR tubular products are generally not comparable to further processed HWR tubular products with

[5] Petitioners' prehearing brief, pp. 29-33. Petitioners further note that further processing may result in HWR tubular products with different lengths, bent HWR tubular products, HWR tubular products with holes. However, all of these further processed products are still HWR tubular products as defined within the scope of these investigations. "Parts" are treated differently for Customs purposes and are not within the scope of these investigations. Ibid., pp. 31-32, 36.

regard to physical characteristics and uses. Although the two products have the same chemical characteristics, which enable HWR tubular products to be the input for further processed HWR tubular products, further processed HWR tubular products have a different physical structure after bending, attaching components, or certain types of cutting.

The majority of U.S. purchasers indicated in their questionnaire responses that HWR tubular products are frequently comparable to further processed HWR tubular products because HWR tubular products are used in the manufacturing of further processed HWR tubular products. Therefore, U.S. purchasers contend that these two products have similar physical characteristics, although further processed HWR tubular products can continue to be fabricated depending on customer specifications.

Interchangeability

The two responding U.S. producers indicated in their questionnaire responses that HWR tubular products are never interchangeable with further processed HWR tubular products. The *** explained that "***."

The responding U.S. fabricators similarly indicated in their questionnaire responses that HWR tubular products are sometimes or never interchangeable with further processed HWR tubular products. Further processed HWR tubular products are fabricated based on customer specifications, which limits interchangeability between the two products.

U.S. purchasers indicated a variety of responses regarding the interchangeability between HWR tubular products and further processed HWR tubular products. *** noted that the further processed HWR tubular products are made according to specific market and customer requirements, which does not make the two products interchangeable. ***, however, noted that the two products are sometimes or frequently interchangeable because they undergo similar preliminary preparation processes.

Manufacturing facilities and production employees

No U.S. producer reported further processing HWR tubular products. Two of three responding U.S. producers specifically indicated in their questionnaire responses that HWR tubular products are never produced in the same manufacturing facilities with the same production employees as further processed HWR tubular products. The *** noted that "***."

U.S. fabricators indicated a variety of responses regarding the manufacturing facilities and employees needed to produce HWR tubular products and further processed HWR tubular products. *** explained that HWR tubular products are produced in mills while further processed HWR tubular products are generally produced in service centers with other equipment. *** noted that HWR tubular products require specialized equipment such as rolls and furnaces to create the tubular shape while further processed HWR tubular products require welding and cutting machines to add additional components for use in a unique structural steel building. *** contends that some facilities could produce both products if they have the proper equipment and *** explained that it has cross-trained employees who perform multiple processes that can result in the fabrication of further processed HWR tubular products. In addition, *** noted that the same equipment is used from a logistics and storing perspective,

although processing equipment and employees are generally dedicated to the value-added service areas.

U.S. purchasers also indicated a variety of responses regarding the manufacturing facilities and employees needed to produce HWR tubular products and further processed HWR tubular products. Priefert, for example, noted that HWR tubular products "***."

Channels of distribution

The responding U.S. producers indicated in their questionnaire responses that HWR tubular products are sometimes or never comparable to further processed HWR tubular products with regard to channels of distribution. The *** contend that HWR tubular products are generally sold through distributors while further processed HWR tubular products are sold directly to end users. The petitioners, however, note that both products can be sold to OEMs, either directly or through service centers.[6]

The responding U.S. fabricators indicated a variety of responses regarding the channels of distribution of HWR tubular products versus further processed HWR tubular products. ***, for example, explained that HWR tubular products are sold to distributors, while further processed HWR tubular products are sold to (or consumed by) end users. Other U.S. fabricators, such as ***, indicated that HWR tubular products and further processed HWR tubular products can both be sold to distributors and end users depending on the customer.

The responding U.S. purchasers indicated that HWR tubular products were sometimes or frequently comparable to further processed HWR tubular products with regard to channels of distribution. ***, for example, sells to various end users, while *** can sell to end users or distributors who further process the HWR tubular products.

The majority of U.S. producers' commercial U.S. shipments of HWR tubular products were to distributors. The share of U.S. producers' commercial U.S. shipments to distributors increased from 79.3 percent in 2013 to 82.1 percent in 2015 and was 84.8 percent in January to March 2016 as compared to 80.6 percent in January to March 2015. U.S. fabricators' commercial U.S. shipments of further processed HWR tubular products were *** percent to end users during January 2013 to March 2016.

Customer and producer perceptions

The two responding U.S. producers indicated in their questionnaire responses that HWR tubular products are never comparable to further processed HWR tubular products with regard to customer and producer perceptions. *** noted that the "***."

The responding U.S. fabricators indicated a variety of responses regarding customer and producer perceptions of HWR tubular products versus further processed HWR tubular products. *** explained that non-fabricated HWR tubular products are perceived as a commodity while further processed HWR tubular products are engineered parts. Other U.S. fabricators, such as ***, contend that perceptions depend on the customers' capabilities and requirements. In addition, *** noted that the sales and marketing between the two products are different as

[6] Petitioners' prehearing brief, p. 33.

HWR tubular products are directed towards fabricators, while further processed HWR tubular products are directed towards the end user of the structure.

Two of the responding three U.S. purchasers indicated in their questionnaire responses that HWR tubular products and further processed HWR tubular products are sometimes comparable with regard to customer and producer perceptions. ***, for example, noted that further processed HWR tubular products "***," although *** noted that ***.

Price

The two responding U.S. producers indicated in their questionnaire responses that the prices of HWR tubular products are never comparable to the prices of further processed HWR tubular products because it is more expensive to design, produce, and deliver further processed HWR tubular products.

U.S. fabricators also indicated in their questionnaire responses that the price of further processed HWR tubular products is generally higher than the price of HWR tubular products. ***, for example, explained that further processed HWR tubular products have higher prices than HWR tubular products due to the associated costs and the value-added services provided.

The responding U.S. purchasers provided a variety of responses regarding the comparability of prices of HWR tubular products and the prices of further processed HWR tubular products. *** noted that the prices of further processed HWR tubular products are generally higher due to the cost of fabrication. ***, however, contend that the prices of HWR tubular products are mostly comparable to the prices of further processed HWR tubular products.[7]

[7] Staff was not able to collect price data for further processed HWR tubular products because no U.S. purchasers reported purchasing this product. The average unit value of reported U.S. shipments of HWR tubular products was $720 per short ton in 2015, while the average unit value of reported U.S. shipments of further processed HWR tubular products was $*** per short ton in 2015.

COMMENTS BY U.S. PRODUCERS OF HWR TUBULAR PRODUCTS REGARDING THE COMPARABILITY OF HWR TUBULAR PRODUCTS VS. FURTHER PROCESSED HWR TUBULAR PRODUCTS

The Commission requested that U.S. producers of HWR tubular products compare the differences and similarities in the physical characteristics and end uses between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. producers of HWR tubular products compare the differences and similarities in the interchangeability between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. producers of HWR tubular products compare whether HWR tubular products and further processed HWR tubular products are manufactured in the same facilities, from the same inputs, on the same machinery and equipment, and using the same employees, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. producers of HWR tubular products compare the channels of distribution/market situation through which HWR tubular products and further processed HWR tubular products are sold (*i.e.* sold direct to end users, through distributors, etc.), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. producers of HWR tubular products compare the perceptions as to the differences and/or similarities in HWR tubular products and further processed HWR tubular products in the market (*e.g.*, sales/marketing practices), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. producers of HWR tubular products explain whether prices are comparable or differ between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

COMMENTS BY U.S. FABRICATORS OF FURTHER PROCESSED HWR TUBULAR PRODUCTS REGARDING THE COMPARABILITY OF HWR TUBULAR PRODUCTS VS. FURTHER PROCESSED HWR TUBULAR PRODUCTS

The Commission requested that U.S. fabricators of further processed HWR tubular products compare the differences and similarities in the physical characteristics and end uses between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. fabricators of further processed HWR tubular products compare the differences and similarities in the interchangeability between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. fabricators of further processed HWR tubular products explain whether HWR tubular products and further processed HWR tubular products are manufactured in the same facilities, from the same inputs, on the same machinery and equipment, and using the same employees, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. fabricators of further processed HWR tubular products compare the channels of distribution/market situation through which HWR tubular products and further processed HWR tubular products are sold (*i.e.* sold direct to end users, through distributors, etc.), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. fabricators of further processed HWR tubular products compare the perceptions as to the differences and/or similarities in HWR tubular products and further processed HWR tubular products in the market (*e.g.*, sales/marketing practices), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. fabricators of further processed HWR tubular products compare whether prices are comparable or differ between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

COMMENTS BY U.S. PURCHASERS OF HWR TUBULAR PRODUCTS FOR USE AS PARTS REGARDING THE COMPARABILITY OF HWR TUBULAR PRODUCTS VS. FURTHER PROCESSED HWR TUBULAR PRODUCTS

The Commission requested that U.S. purchasers of HWR tubular products report the differences and similarities in the physical characteristics and end uses between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Most purchasers in all these questions reported that they were not familiar with these products in order to respond to the questions. Their responses were not included in the tables below. The responses of firms making the comparison are as follows:

* * * * * * *

The Commission requested that U.S. purchasers of HWR tubular products report whether HWR tubular products and further processed HWR tubular products were interchangeable and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. purchasers of HWR tubular products report whether HWR tubular products and further processed HWR tubular products were manufactured in the same facilities, from the same inputs, on the same machinery and equipment, and using the same employees and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. purchasers of HWR tubular products compare the channels of distribution/market situation through which HWR tubular products and further processed HWR tubular products are sold (*i.e.* sold direct to end users, through distributors, etc.), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. purchasers of HWR tubular products report the perceptions as to the differences and/or similarities in HWR tubular products and further processed HWR tubular products in the market (*e.g.*, sales/marketing practices), and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

The Commission requested that U.S. purchasers of HWR tubular products explain whether prices are comparable or differ between HWR tubular products and further processed HWR tubular products, and that they provide a narrative discussion for the comparability ratings they provided. Their responses are as follows:

* * * * * * *

INCLUSION IN THE INDUSTRY

The seven U.S. fabricators of further processed HWR tubular products were requested to provide information regarding the nature of the value-added operations, the technical expertise required, the quantity and type of parts sourced in the United States and any other cost activities in the United States associated with the fabrication process of further processing HWR tubular products. The U.S. fabricators were also requested to describe the source and extent of their capital and investment associated with the fabrication processes. Below are estimates and/or summaries of this information for seven of these U.S. fabricators.

ConXTech explained that it further processes HWR tubular products by ***.

Deere noted that HWR tubular products are ***.

EMJ described its value-added operations as ***.[8]

Farwest Steel explained that its value-added operations include ***.[9]

Metal Craft explained that ***. Its source of capital investment was ***.

Pacific Steel noted that it ***.[10]

[8] ***.

[9] ***.

[10] ***.

Priefert explained that ***.

Roll Forming described its value-added operations as ***.

OPERATIONS ON FURTHER PROCESSED HWR TUBULAR PRODUCTS

Table F-2 lists U.S. fabricators of further processed HWR tubular products and their shares of reported domestic fabrication in 2015. *** are the two fabricators that provided data regarding their operations, which are presented in tables F-3 through F-8.

Table F-2

HWR tubular products: U.S. fabricators of further processed HWR tubular products and their share of production, 2015

* * * * * * *

Table F-3

HWR tubular products: U.S. fabricators of further processed HWR tubular products' capacity, production, and capacity utilization, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Table F-4

HWR tubular products: U.S. fabricators of further processed HWR tubular products' U.S. shipments, export shipments, and total shipments, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Table F-5

HWR tubular products: U.S. fabricators of further processed HWR tubular products' U.S. commercial shipments to distributors and end users, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Table F-6

HWR tubular products: U.S. fabricators of further processed HWR tubular products' inventories, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Table F-7

HWR tubular products: U.S. fabricators of further processed HWR tubular products' employment-related data, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

Table F-8

Further processed HWR tubular products: U.S. fabricators of further processed HWR tubular products' results of operations of U.S. firms, 2013-15, January to March 2015, and January to March 2016

* * * * * * *

VALUE ADDED BY FURTHER PROCESSING

The ability to estimate the value added by further processing HWR tubular products is limited by the lack of questionnaire responses and the inability of ***. If analyzed in terms of the ratio of per short ton sales values of HWR tubular products (table VI-1) to per short ton sales values for further processed HWR tubular products (table F-8), the estimated additional value attributed to further processing averages *** percent for the period January 2013 to March 2016.[11] [12] [13] [14]

IMPORTS OF HWR TUBULAR PRODUCTS VERSUS FURTHER PROCESSED HWR TUBULAR PRODUCTS

Table F-9 presents information regarding U.S. importers' U.S. imports of HWR tubular products versus further processed HWR tubular products.

[11] ***. ***. ***.

[12] ***. U.S. producers' questionnaire response of ***, question V-7. ***.

[13] ***. U.S. producers' questionnaire response of ***, question V-7. ***.

[14] ***. U.S. producers' questionnaire response of ***, question V-7.

Table F-9

HWR tubular products: U.S. importers' U.S. imports of HWR tubular products versus further processed HWR tubular products, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Korea:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Mexico:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Turkey:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Subject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Canada:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All other sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Nonsubject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	295,032	359,976	321,080	88,217	73,876

Table continued on next page.

Table F-9 -- Continued

HWR tubular products: U.S. importers' U.S. imports of HWR tubular products versus further processed HWR tubular products, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Value (1,000 dollars)				
Korea:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Mexico:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Turkey:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Subject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Canada:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All other sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Nonsubject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	241,733	291,350	222,767	68,547	44,848

Table continued on next page.

Table F-9 -- Continued

HWR tubular products: U.S. importers' U.S. imports of HWR tubular products versus further processed HWR tubular products, 2013-15, January to March 2015, and January to March 2016

Item	Calendar year			January to March	
	2013	2014	2015	2015	2016
	Unit value (dollars per short ton)				
Korea:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Mexico:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Turkey:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Subject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Canada:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All other sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
Nonsubject sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	***	***	***	***	***
All sources:					
HWR tubular products	***	***	***	***	***
Further processed HWR	***	***	***	***	***
Total	819	809	694	777	607

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

EXPORTS TO THE UNITED STATES OF FURTHER PROCESSED HWR TUBULAR PRODUCTS

Table F-10 presents data regarding foreign producers' exports of HWR tubular products versus exports of further processed HWR tubular products during calendar years 2013-15 as well as interim periods January to March 2015 and January to March 2016.

Table F-10

HWR tubular products: Foreign producers' exports of HWR tubular products versus further processed HWR tubular products, 2013-15, January to March 2015, and January to March 2016

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APPENDIX G

QUESTIONNAIRE RESPONSES OF U.S. PRODUCERS REGARDING THE EFFECTS OF RAW MATERIAL PRICES ON REPORTED PROFITABILITY

U.S. producers' individual responses regarding the effects of increasing prices for hot-rolled steel on reported profitability are presented below.

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U.S. producers' individual responses regarding the effects of decreasing prices for hot-rolled steel on reported profitability are presented below.

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APPENDIX H

QUESTIONNAIRE RESPONSES OF U.S. PRODUCERS REGARDING ACTUAL AND ANTICPATED NEGATIVE EFFECTS OF SUBJECT IMPORTS

U.S. producers' individual responses to questions regarding the actual and anticipated negative effects of subject imports are presented below.

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