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PUBLIC VERSION

**BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE
AND THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**CERTAIN SEAMLESS CARBON AND ALLOY STEEL
STANDARD, LINE, AND PRESSURE PIPE
FROM THE PEOPLE'S REPUBLIC OF CHINA**

**PETITION FOR THE IMPOSITION
OF ANTIDUMPING AND COUNTERVAILING DUTIES PURSUANT TO
SECTIONS 701 AND 731 OF THE TARIFF ACT OF 1930, AS AMENDED**

**VOLUME II-A
TEXT AND EXHIBITS II-1 through II-15(L)**

**INFORMATION RELATING TO
THE PEOPLE'S REPUBLIC OF CHINA – DUMPING**

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I. Introduction

As demonstrated below, producers and/or exporters from the People's Republic of China ("China" or the "PRC") sold, or offered for sale, certain seamless carbon and alloy steel standard, line, and pressure pipe ("seamless pipe") in the United States at less than fair value. Petitioners demonstrate that seamless pipe imported from China is sold at less than fair value by comparing U.S. price ("USP") with the normal value ("NV") for such merchandise in accordance with the statute and the normal practice of the Department of Commerce (the "Department").

The method by which NV is calculated depends upon whether the country under investigation possesses a market economy or a nonmarket economy ("NME").¹ In every previous investigation involving merchandise from China, the Department has concluded that China is a NME country.² By statute, once the Department has determined that a foreign country is a NME, that determination remains in effect until affirmatively revoked.³ Because China's status as a NME has not been revoked, Petitioners determine NV using a NME analysis.

¹ See 19 U.S.C. § 1677b(c) (2006) (directing the Department, in the case of a NME, to calculate NV based on the value of the factors of production in a surrogate market economy country).

² See, e.g., Certain Hot-Rolled Carbon Steel Flat Products from the People's Republic of China, 66 Fed. Reg. 49632 (Dep't Commerce Sept. 28, 2001) (final determ.) ("Hot-Rolled Steel from China"); Certain Steel Threaded Rod from the People's Republic of China, 74 Fed. Reg. 8907 (Dep't Commerce Feb. 27, 2009) (final determ.) ("Threaded Rod from China").

³ 19 U.S.C. § 1677(18)(C)(i) (2006) ("Any determination that a foreign country is a non-market economy country shall remain in effect until revoked by the administering authority.").

II. NME Analysis

To determine the NV of the subject merchandise, the Department utilizes a "single surrogate country"⁴ which is "at a level of economic development comparable to that of the non-market economy country"⁵ and is a "significant producer of comparable merchandise."⁶ In selecting a surrogate country, the Department will also consider the quality and availability of data.⁷ For the reasons discussed below, Petitioners submit that India is the appropriate surrogate country for China.

A. Economic Comparability

The Department's regulations state that in evaluating potential surrogates, the Department "will place primary emphasis on per capita {gross domestic product ("GDP")} as the measure of economic comparability."⁸ In practice, however, the Department relies upon per capita gross national income ("GNI") statistics as published by the World Bank.⁹ The Department

⁴ 19 C.F.R. § 351.408(c)(2) (2008) ("{T}he {Department} normally will value all factors in a single surrogate country.").

⁵ 19 U.S.C. § 1677b(c)(4)(A) (2006).

⁶ 19 U.S.C. § 1677b(c)(4)(B) (2006).

⁷ Issues and Decision Memorandum in Lightweight Thermal Paper from the People's Republic of China, 73 Fed. Reg. 57329 (Dep't Commerce Oct. 2, 2008) (final determ.) ("LTP from China") at Comment 1.

⁸ 19 C.F.R. § 351.408(b) (2008) (emphasis omitted).

⁹ Antidumping Methodologies in Proceedings Involving Non-Market Economy Countries: Surrogate Country Selection and Separate Rates, 72 Fed. Reg. 13246, 13246-47 (Dep't Commerce Mar. 21, 2007) (req. for comments).

has also looked to average growth rates in per-capita income as well as to the percentage of the labor force in agriculture.¹⁰

Based on the above criteria, the Department has determined in numerous recent cases that India is at a level of economic development comparable to China. These determinations were based, in part, on 2006 data.¹¹ Since the Department issued its determinations in these cases, the World Bank has published updated per capita income data for 2007.¹² As shown in Figure 1, columns A and B, the 2007 data are essentially the same as the 2006 data. Further, as shown in Figure 1, columns C and D, India is the closest potential surrogate country to China in terms of percent of average annual GDP growth. Thus, it is clear that India continues to be economically comparable to China.

B. Production of Comparable Merchandise

The second requirement for a surrogate country is that it be a "significant producer of comparable merchandise."¹³ In 2007, India produced 1,218,000 metric tons ("MT") of tubular

¹⁰ See Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, from the People's Republic of China, 69 Fed. Reg. 11371, 11331 (Dep't Commerce Mar. 10, 2004) (prelim. results), unchanged in final results, 69 Fed. Reg. 55581 (Dep't Commerce Sept. 15, 2004) (final results).

¹¹ See, e.g., Memorandum from Jeffrey Pedersen to Abdelali Elouaradia re: Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China ("Surrogate Country Selection Memorandum in Line Pipe from China") (Sept. 22, 2008) at 6 and Attachment I (Public Document), attached hereto as Exhibit II-1; Memorandum from Maisha Cryor to Abdelali Elouaradia re: Antidumping Duty Investigation of 1-hydroxyethylidene-1, 1-disphosphonic acid ("HEDP") from the People's Republic of China (Aug. 22, 2008) at 7 and Attachment I (Public Document), attached hereto as Exhibit II-2.

¹² See Exhibit II-3(A).

¹³ 19 U.S.C. § 1677b(c)(4)(B) (2006).

Figure 1

Surrogate Country Analysis

Surrogate	Per Capita GNI		Avg. Annual Real GDP Growth		Percent of Labor Force in Agriculture 2007 ⁵	Tubular Production 2007 ⁶
	2007 ¹ (A) (US\$)	2006 ² (B) (US\$)	2000-2007 ³ (C) %	2000-2006 ⁴ (D) %		
India	950	820	7.8	7.4	60.0	1,218,000
Indonesia	1,650	1,420	5.1	4.9	42.1	643,000
Philippines	1,620	1,420	5.1	4.8	35.0	52,000
China	2,360	2,010	10.2	9.8	43.0	41,261,000
Colombia	3,250	2,740	4.5	3.9	22.4	0
Thailand	3,400	2,990	5.4	5.4	42.6	0

¹ World Bank, World Development Report 2009 at 352-53, Exhibit II-3(A).

² See Exhibit II-1, Attachment 1.

³ World Bank, World Development Report 2009 at 356-357, Exhibit II-3(A).

⁴ World Bank, World Development Report 2008 at 340-341, Exhibit II-3(B).

⁵ The World Factbook 2008, Central Intelligence Agency, Exhibit II-4.

⁶ Steel Statistical Yearbook 2008, World Steel Association at 60-61, Exhibit II-5.

steel products.¹⁴ Accordingly, there is no question that India is a significant producer of comparable merchandise.

C. Availability of Information

In choosing an appropriate surrogate, the Department will also consider the availability and quality of data.¹⁵ There are current, publicly available values for all Indian unit factor costs. Moreover, there is current Indian financial information available to calculate the financial ratios used in the normal value analysis.

D. Conclusion

India is clearly the best surrogate country for China for three reasons. First, it is at a comparable stage of economic development as China. Second, it is a significant producer of comparable merchandise. Finally, the information required to calculate unit factor costs and financial ratios in India is readily available. In fact, the Department has repeatedly selected India as the surrogate country for China in its antidumping determinations.¹⁶ Accordingly, Petitioners use India as the surrogate country here in calculating the NV for Chinese seamless pipe.

¹⁴ See World Steel Association, Steel Statistical Yearbook 2008, at 61, attached hereto as Exhibit II-5.

¹⁵ See Issues and Decision Memorandum in LTP from China at Comment 1.

¹⁶ See, e.g., Threaded Rod from China, 74 Fed. Reg. 8907; Polyethylene Retail Carrier Bags from the People's Republic of China, 74 Fed. Reg. 6857 (Dep't Commerce Feb. 11, 2009) (final results); Freshwater Crawfish Tail Meat from the People's Republic of China, 74 Fed. Reg. 6571 (Dep't Commerce Feb. 10, 2009) (final results); Issues and Decision Memorandum in Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China, 74 Fed. Reg. 4913 (Dep't Commerce Jan. 28, 2009) (final determ.) at Comment 1; Issues and Decision Memorandum in Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China, 74 Fed. Reg. 3987 (Dep't Commerce Jan. 22, 2009) (final results) at Comment 7; Folding Metal Tables and Chairs from the People's Republic of China, 74 Fed. Reg. 3560 (Dep't Commerce

(Continued...)

III. Calculation of Dumping Margins

A. United States Price

Petitioners have obtained an offer for the sale of seamless pipe in the United States during the period of investigation ("POI") from a large integrated Chinese producer – i.e., [

].¹⁷ The offer was for [

].¹⁸ Because the offer

specified both [

] the corresponding wall

thickness could be determined. For example, seamless pipe with [

].¹⁹

(...Continued)

Jan. 21, 2009) (final results); Small Diameter Graphite Electrodes from the People's Republic of China, 74 Fed. Reg. 2049 (Dep't Commerce Jan. 14, 2009) (final determ.).

¹⁷ This offer is described in an affidavit attached as Exhibit II-6.

¹⁸ Id.

¹⁹ See Exhibit II-7.

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Because the offer was for a [], Petitioners selected sizes that [

] so that an "apples-to-apples" comparison between USP and NV could be made. Specifically, Petitioners based their calculations of U.S. price on four products falling within the offer:

(1) [] with an outer diameter of [] inches and a wall thickness of [] inches ("OBS US 1"); (2) [] with an outer diameter of [] inches and a wall thickness of [] inches ("OBS US 2"); (3) [] with an outer diameter of [] inches and a wall thickness of [] inches ("OBS US 3"); and (4) [] with an outer diameter of [] inches and a wall thickness of [] inches ("OBS US 4").²⁰

The products used in the analysis here are clearly representative of Chinese imports of seamless pipe. According to the classification criteria of the Harmonized Tariff Schedule ("HTS"), OBS US 1 falls within HTS subheading 7304.19.10.20. The HTS defines products entered under this subheading as:

Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel:

Line pipe of a kind used for oil or gas pipelines:

Other:

Of iron or nonalloy steel

Having an outside diameter not exceeding 114.3 mm²¹

²⁰ These products and their terms of sale are summarized in Exhibit II-8. The offer stated that the products were to be [

] See Exhibit II-6. Petitioners refer to the products as [] because [] is the highest and most stringent specification that the products were to meet. See Certain Seamless Carbon and Alloy Steel Standard Line and Pressure Pipe from Argentina, Brazil and Germany, USITC Inv. Nos. 731-TA-701-704, Pub. No. 3918, fn. 49 (May 2007).

²¹ See Exhibit II-9, p. 73-3.

OBS US 2, OBS US 3, and OBS US 4 fall within HTS subheading 7304.19.10.30. The HTS defines products entered under this subheading as:

Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel:

Line pipe of a kind used for oil or gas pipelines:

Other:

Of iron or nonalloy steel

Having an outside diameter exceeding 114.3 mm
but less than 215.9 mm²²

During the period of January 2009 through June 2009, which is the period of investigation ("POI"), seamless pipe imported from China under HTS subheadings 7304.19.10.20 and 7304.19.10.30 totaled 37,027 net tons ("NT").²³ Imports under these HTS subheadings accounted for more than 55 percent of all seamless pipe imports entering the United States from China during this time period.²⁴ Because the products used as the basis for U.S. price account for such a large percentage of subject imports, they are necessarily representative of all such imports.

1. Sales Price

The offer for each observation states a price of \$[700.00]. This price is posted in Figure 2, column A.

²² See id.

²³ See Exhibit II-10. The United States imported 26,008.38 NT of seamless pipe from China under HTS code 7304.19.10.20 and 11,018.77 NT of seamless pipe from China under HTS code 7304.19.10.30. (26,008.38 NT + 11,018.77 NT = 37,027 NT).

²⁴ See id. The 55 percent figure is calculated as follows: $37,027 / 66,459 = 0.5571$; $0.5571 * 100 = 55.71$ percent.

Figure 2
Calculation of United States Price for Seamless Pipe

(Unit: US\$/NT, unless otherwise indicated)

Observation	Product ¹	Dimensions		Gross Price ⁴ (A)	Inland Freight to Port ⁵ (B)	Brokerage & Handling ⁶ (C)	Marine Freight and Insurance ⁷ (D)	U.S. Port Charges - Security ⁸ (E)	Distributor Mark-Up ⁹ (F)	Ex-Factory U.S. Price ¹⁰ (G)
		Outer Diameter ² (mm)	Wall Thickness ³ (mm)							
OBS US 1	Seamless Pipe []	[]	[]	700	4.29	6.56	[]	[]	[]	600
OBS US 2	Seamless Pipe []	[]	[]	700	4.29	6.56	[]	[]	[]	600
OBS US 3	Seamless Pipe []	[]	[]	700	4.29	6.56	[]	[]	[]	600
OBS US 4	Seamless Pipe []	[]	[]	700	4.29	6.56	[]	[]	[]	600

¹ Exhibit II-8, column A.
² Id., column C.
³ Id., column F.
⁴ Id., column G.
⁵ Exhibit II-12, Figure 1, line g.
⁶ Exhibit II-13, Figure 1, line r.
⁷ Exhibit II-11, p. 1.
⁸ Exhibit II-14, p. 17.
⁹ Exhibit II-6, para. 5. $F = (A / []) \times []$
¹⁰ $G = A - B - C - D - E - F$

2. Movement and Other Expenses

To determine the ex-factory U.S. price for each observation, Petitioners make the deductions set forth below from the offer price. (See Figure 2).

a. Inland Freight to the Port

Seamless pipe must be shipped from the factory to the port. Therefore, for each observation, Petitioners have calculated the expenses incurred in shipping the product from [] factory to the nearest port.²⁵ This value is posted in column B of Figure 2.

b. Brokerage and Handling

In Line Pipe from China, the Department found that Chinese producers of pipe products incur brokerage and handling charges at the port of export.²⁶ Petitioners calculate a value of \$6.56/NT for brokerage and handling and post that value in column C of Figure 2.²⁷

c. Marine Freight and Insurance

The gross prices shown in Figure 2, column A are delivered prices, with each observation being delivered to the []. Accordingly, the prices include marine freight and insurance charges. Petitioners estimate such charges on the basis of U.S. Census Bu-

²⁵ See Exhibit II-12.

²⁶ Issues and Decision Memorandum in Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China, 74 Fed. Reg. 14512 (Dep't Commerce March 31, 2009) (final determ.) at Comment 7.

²⁷ See Exhibit II-13, Figure 1, line r.

reau IM-145 data. These charges are calculated in Exhibit II-11 and are posted in Figure 2, column D.

d. U.S. Port Charges

The sales offer states that the merchandise is to be delivered to the []²⁸ All entries going through ports in the United States incur security charges. According to the [] Tariff Schedule, the security charge for merchandise entering the [] is \$[]/NT.²⁹ This charge is posted to Column E of Figure 2.

e. Distributor Mark-Up

A deduction must be made for the distributor's mark-up. Exhibit II-6 contains an affidavit attesting to the fact that the customary mark-up is [] percent. Petitioners calculate and post the mark-up in Figure 2, column F.

3. Calculation of Ex-Factory U.S. Price

Petitioners deduct the foregoing charges from the gross prices to arrive at the ex-factory U.S. prices. These values are posted in Figure 2, column G and are carried forward to Figure 3, column B.

B. Normal Value

Pursuant to 19 U.S.C. § 1677b(c), Petitioners calculate normal value based on the factors of production methodology for a NME. A detailed explanation of this methodology is contained in Exhibit II-15. The result is posted to Figure 3, column A. It should be noted that []

²⁸ See Exhibit II-6.

²⁹ See Exhibit II-14, p. 17.

Figure 3
Calculation of Dumping Margins for Seamless Pipe

Observation	Product	Dimensions (mm)		Normal Value ¹ (US\$/NT)	U.S. Price ² (US\$/NT)	Dumping Margin (%)	
		Outer Diameter	Wall Thickness			(C) (A - B)	(D) (C / B)
OBS US 1	Seamless Pipe []	[]	[]	1,100 []	600 []	[]	72.55
OBS US 2	Seamless Pipe []	[]	[]	1,100 []	600 []	[]	69.92
OBS US 3	Seamless Pipe []	[]	[]	1,100 []	600 []	[]	69.92
OBS US 4	Seamless Pipe []	[]	[]	1,100 []	600 []	[]	69.92

¹ Exhibit II-15, Figure I-J-1, column C.

² Figure 2, column G.

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].

C. Dumping Margins

The dumping margins, based on comparisons of U.S. price and normal value, are shown in Figure 3. Such comparisons reveal margins of 72.55 percent for OBS US 1 and 69.92 percent for OBS US 2, OBS US 3, and OBS US 4.

IV. Calculation of Overall Dumping Margin

Based on the four calculated margins, the overall dumping margin on seamless pipe from China is 70.58 percent.³⁰

V. Injury to the Domestic Industry

Petitioners allege that the less-than-fair-value imports of seamless pipe from China have caused, are causing, and are threatening to cause material injury to the domestic industry. The factual information in support of this allegation is provided to the Department and the International Trade Commission in Volume I of this Petition.

VI. Conclusion and Request for Investigation

Petitioners allege an overall dumping margin of 70.58 percent ad valorem for seamless pipe from China. Based on the information presented in this Petition, Petitioners request that the Department initiate an antidumping investigation of seamless pipe from China.

³⁰ The four margins calculated for seamless pipe are: 72.55 percent, 69.92 percent, 69.92 percent and 69.92 percent. A simple average of the four equals 70.58 percent. $(72.55 + 69.92 + 69.92 + 69.92 = 282.31; 282.31 / 4 = 70.58)$.

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List of Exhibits

<u>Tab</u>	<u>Document</u>
II-1	Memorandum from Jeffrey Pedersen to Abdelali Elouaradia re: <u>Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China</u> (Sept. 22, 2008)
II-2	Memorandum from Maisha Cryor to Abdelali Elouaradia re: <u>Antidumping Duty Investigation of 1-hydroxyethylidene-1, 1-disphosphonic acid ("HEDP") from the People's Republic of China</u> (Aug. 22, 2008)
II-3	World Bank, World Development Reports A) 2009 World Development Report B) 2008 World Development Report
II-4	The World Factbook 2008, Central Intelligence Agency
II-5	Steel Statistical Yearbook 2008, World Steel Association
II-6	Affidavit of []
II-7	Pipe Size and Identification Data
II-8	Summary of U.S. Sales of Seamless Pipe
II-9	Excerpts from the HTS, Chapter 73, Articles of Iron or Steel
II-10	U.S. Census Bureau IM-145 Data, January 2009 through June 2009
II-11	Calculation of Marine Freight and Insurance Charges
II-12	Calculation of Inland Freight to the Port
II-13	Calculation of Brokerage and Handling
II-14	U.S. Port Charges – Port of []
II-15	Calculation of Normal Value