UNITED STATES INTERNATIONAL TRADE COMMISSION

OIL COUNTRY TUBULAR GOODS FROM
ARGENTINA, ITALY, JAPAN, KOREA, AND MEXICO
Investigations Nos. 701-TA-364 and 731-TA-711 and 713-716 (Review)

DETERMINATION AND VIEWS OF THE COMMISSION
(USITC Publication No. 3434, June 2001)

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DETERMINATIONS

On the basis of the record[1] developed in the subject five-year reviews, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the countervailing duty order on oil country tubular goods other than drill pipe from Italy, and the antidumping duty orders on oil country tubular goods other than drill pipe from Argentina, Italy, Japan, Korea, and Mexico would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. The Commission further determines[2] that revocation of the antidumping duty order on drill pipe from Japan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. The Commission also determines[3] that revocation of the antidumping duty orders on drill pipe from Argentina and Mexico would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted these reviews on July 3, 2000 (65 F.R. 41088) and determined on October 5, 2000, that it would conduct full reviews (65 F.R. 63889, October 25, 2000). Notice of the scheduling of the Commission's reviews 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 January 26, 2001 (66 F.R. 7941). The hearing was held in Washington, DC, on May 8, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Vice Chairman Deanna Tanner Okun dissenting.

[3] Commissioners Lynn M. Bragg and Dennis M. Devaney dissenting.

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended ("the Act"), that revocation of the antidumping duty orders on Oil Country Tubular Goods ("OCTG") other than drill pipe ("casing and tubing") from Argentina, Italy, Japan, Korea, and Mexico and of the countervailing duty order on casing and tubing from Italy would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. Based on the record in these five-year reviews, we also determine that revocation of the antidumping duty order on drill pipe from Japan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[1] In addition, we find that revocation of the antidumping duty orders on drill pipe from Argentina and Mexico would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[2]

I. BACKGROUND[3]

In August 1995, the Commission found that an industry in the United States was materially injured by reason of imports of casing and tubing from Italy that were subsidized by the Government of Italy, and by reason of imports of casing and tubing from Argentina, Italy, Japan, Korea, and Mexico that were sold in the United States at less than fair value ("LTFV").[4] The Commission also found that an industry in the United States was threatened with material injury by reason of imports of drill pipe from Argentina, Japan, and Mexico that were sold in the United States at LTFV. Commerce published the antidumping duty orders on imports from Argentina, Italy, Japan, Korea and Mexico on August 11, 1995,[5] and the countervailing duty order on imports from Italy on August 10, 1995.[6]

On July 3, 2000, the Commission instituted reviews pursuant to section 751(c) of the Act to determine whether revocation of the antidumping duty orders on imports of OCTG from Argentina, Italy, Japan, Korea, and Mexico, and the countervailing duty order on imports of OCTG from Italy, would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time.[7]

In five-year reviews, the Commission initially determines whether to conduct a full review (which would generally include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review, as follows. First, the Commission determines whether individual responses to the notice of institution are adequate. Second, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties – domestic interested parties (producers, unions, trade associations, or worker groups) and respondent

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[1] Vice Chairman Okun dissenting with respect to drill pipe from Japan.

[2] Commissioner Bragg and Commissioner Devaney dissenting with respect to drill pipe from Argentina and Mexico.

[3] OCTG are tubular steel products used in oil and gas wells and include casing, tubing, and drill pipe. Reference to OCTG is intended to refer to both casing and tubing as well as drill pipe. In contrast, reference to casing and tubing or drill pipe is intended to refer to those product categories individually.

[4] Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain Investigation Nos. 701-TA-363 and 364 (Final) and 731-TA-711-717 (Final), USITC Pub. 2911 (Aug. 1995) ("Original Determinations"). The Commission made negative determinations with respect to Austria and Spain.

[5] 60 Fed. Reg. 41055-41059 (Aug. 11, 1995).

[6] 60 Fed. Reg. 40822 (Aug. 10, 1995).

[7] 65 Fed. Reg. 41088 (July 3, 2000).

interested parties (importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review.[8] If the Commission finds the responses from both groups of interested parties to be adequate, or if other circumstances warrant, it will determine to conduct a full review.

In these reviews, the Commission received responses to the notice of institution from eight domestic producers accounting for the majority of U.S. production of casing and tubing and three domestic producers accounting for the majority of U.S. production of drill pipe. On behalf of the domestic industry supporting continuation of the countervailing and antidumping duty orders under review, the Commission received responses from IPSCO Tubulars, Inc., Koppel Steel and Newport Steel Divisions of NS Group, Lone Star Steel Company, Maverick Tube Corp., North Star Steel Ohio, Grant-Prideco, LTV Copperweld, Prudential, Rocky Mountain, Timken, and U.S. Steel Group, a unit of USX Corp.[9] On behalf of the respondent interested parties supporting revocation of the orders, the Commission received responses from Siderca S.A.I..C. ("Siderca") a producer and exporter of the subject merchandise in Argentina; Dalmine S.p.A. ("Dalmine"), a producer and exporter of the subject merchandise in Italy; SeAH Steel Corp. ("SeAH"), a producer and exporter of the subject merchandise in Korea; NKK Tubes ("NKK"), a producer and exporter of the subject merchandise in Japan; and Tubos de Acero de Mexico, S.A. ("TAMSA") and Hylsa, S.A. de C.V. ("Hylsa"), two producers and exporters of the subject merchandise in Mexico.

With regard to all subject OCTG from Argentina, Italy, Korea, and Mexico, the Commission determined that both the domestic and respondent interested party group responses were adequate and voted to conduct full reviews. With regard to OCTG from Japan, the Commission found that the domestic interested party group response was adequate and the respondent interested party group response was inadequate. The Commission further determined to conduct a full review as to Japan, however, because conducting a full review would promote administrative efficiency in light of the Commission's decision to conduct full reviews with respect to OCTG from Argentina, Italy, Korea, and Mexico.[10]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines "the domestic like product" and the "industry."[11] The Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation

[8] See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

[9] The petition in the original investigations was filed on June 30, 1994, by Bellville Tube Corp. ("Bellville"), IPSCO Steel, Inc. ("IPSCO"), Koppel Steel, Inc. ("Koppel"), Maverick Tube Corp. ("Maverick"), North Star Steel Ohio ("North Star"), U.S. Steel Group ("U.S. Steel"), and USS/KOBE Steel Co. ("USS/KOBE").

[10] Explanation of Commission Determinations on Adequacy. See also 65 Fed. Reg. 63889, 63890 (Oct. 25, 2000).

[11] 19 U.S.C. § 1677(4)(A).

under this subtitle."[12] In a section 751(c) review, the Commission must also take into account "its prior injury determinations."[13]

Commerce defined the subject merchandise as:

> . . . Hollow steel products of circular cross-section, including oil well casing, tubing, and drill pipe, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished or unfinished (including green tubes and limited-service OCTG products). This scope does not cover casing, tubing, or drill pipe containing 10.5 percent or more chromium.[14]

The scope of the antidumping and countervailing duty orders with respect to Italy and the antidumping duty order with respect to Korea are the same as the scope for the orders on OCTG from Argentina, Japan, and Mexico except that drill pipe is excluded because the Commission in the original investigations made negative determinations with respect to drill pipe from Italy and Korea.

OCTG are tubular steel products used in oil and gas wells and include casing, tubing, and drill pipe. Casing is a circular pipe that serves as the structural retainer for the walls of the well with an outside diameter ("O.D.") ranging from 4.5 to 20 inches.[15] Casing is used in the drill hole to provide a firm foundation for the drill string[16] by supporting the walls of the hole to prevent caving in both during drilling and after the well is completed. After the casing is set, concrete is usually pumped between the outside of the casing and the wall of the hole to provide a secure anchor. Casing also serves as a surface pipe designed to prevent contamination of the recoverable oil and gas by surface water, gas, sand, or limestone. The casing must be sufficiently strong to carry its own weight and to resist both external pressure and pressure within the well. Casing can be threaded at both ends and connected with other casing pieces with couplings or connectors. Because the amount of open hole that can be drilled at any one time is limited, a string of concentric layers of casing rather than a single casing is used for larger wells. Several sizes of casing may be set inside the well after it has been drilled, with the larger sizes set at the top of the well and the smaller sizes set toward the bottom.[17]

Tubing is a smaller-diameter pipe (between 1.05 and 4.50 inches in O.D.) installed inside a larger-diameter casing that is used to conduct the oil or gas from the subsurface strata to the surface either through natural flow or through pumping. Substances are also pumped into the well through the

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[12] 19 U.S.C. § 1677(10). See NEC Corp. v. Department of Commerce, Slip Op. 98-164 at 8 (Ct. Int'l Trade, Dec. 15, 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). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[13] 19 U.S.C. § 1675a(a)(1)(a).

[14] 65 Fed. Reg. 66702, 66703 (Nov. 7, 2000).

[15] American Iron and Steel Institute, Instructions for Reporting Steel Shipment Statistics, Jan. 1988.

[16] The drill string is composed of drill pipe, drill collars, and the drill bit. Drill collars are thick, machined pipes which are designed to concentrate weight on the drill bit; the drill bit is the cutting or pulverizing head which bores through underground formations. If the well is drilled in a hard formation, the oil-producing zone may be left entirely open, with no perforated casing or liner used to protect the hole. This is called an open-hole completion.

[17] In the original investigations, several U.S. producers stated that there is a continuum of different sizes of casing with no clear dividing line between the large and small sizes and that different sizes of casing are used in the same well. Because of this, they view the different sizes of casing as the same product. Original Determinations at II-7.

tubing for well treatment. Tubing must be strong enough to support its own weight, that of the oil or gas, and that of any pumping equipment suspended on the string.

Drill pipes, each about 30 feet long with an O.D. from 2.375 to 6.625 inches, are joined to one another by tool joints to form the drill string. The drill string is used to transmit power from the drilling motor above ground to the drill bit, and to conduct drilling fluid down to the drill bit to flush drill cuttings to the surface for removal.[18] Drill pipe must have sufficient tensile strength to support its own weight, the weight of the contained drilling fluids, and that of drill collars and the drill bit. Drill pipe is subject to stress caused by shear and vibration, and consequently, fatigue.[19]

Casing and tubing as well as drill pipe have distinct end uses and are produced to different specifications. Casing and tubing are both usually produced in accordance with API specification 5 CT. Drill pipe (other than heavy-weight drill pipe) is usually produced to API specification 5 D.

The Commission's like product analysis in a five-year review begins with the like product determination in the original investigations.[20] In the original investigations, the Commission found two separate like products: (1) casing and tubing and (2) drill pipe, primarily due to the distinctive physical characteristics and end uses of drill pipe and other OCTG (casing and tubing), the lack of interchangeability between drill pipe and casing or tubing, the different customer and producer perceptions, and the differences in price.[21]

None of the parties to these reviews have advocated a change from the original like product determinations. Nothing in the record of these reviews indicates that we should depart from the previous determinations. Therefore, we find two like products, one consisting of casing and tubing and the other consisting of drill pipe, for the reasons stated in the original determinations.

B. Domestic Industry

Section 771(4)(A) of the Act defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major

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[18] As drilling progresses, additional lengths of drill pipe are added at the top to lengthen the string. In the course of drilling a well, it is necessary from time to time to remove the drill stem from the hole in order to service the drill bit. That process requires disconnecting and removing the individual lengths of drill pipe to reach the drill bit, then reconnecting the individual pieces in order to resume drilling.

[19] Heavy-weight drill pipe has greater wall thickness than standard weight (about three times the thickness for a given O.D.) and is used in critical applications (such as directional drilling) as a transitional drill string member between standard-weight drill pipe and drill collars to provide both weight and flexibility. Original Determinations at II-7.

[20] In its like product determination, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. See The Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996). No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington, 747 F. Supp. at 748-49.

[21] Original Determinations at I-8. In the July 2000 five-year reviews of OCTG from Canada and Taiwan, the Commission likewise found two like products, casing and tubing (OCTG other than drill pipe) and drill pipe. Certain Pipe and Tube From Argentina, Brazil, Canada, India, Korea, Mexico, Singapore, Taiwan, Thailand, Turkey, and Venezuela, Inv. Nos. 701-TA-253 and 731-TA-132, 252, 271, 273, 276, 277, 296, 409, 410, 532-534, 536, and 537 (Review), USITC Pub. 3316 at 14-16 (July 2000).

proportion of the total domestic production of that product."[22] 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, provided that adequate production-related activity is conducted in the United States.[23]

In light of our domestic like product determination, we find, as we did in the original determinations, two domestic industries consisting of (1) the domestic producers of casing and tubing and (2) the domestic producers of drill pipe.[24]

In the original investigations, the Commission also considered whether finishers were members of the domestic industry. The Commission noted that there is a very wide range of finishing operations that can be performed depending on the form of product being finished (i.e., casing and tubing or drill pipe); the product specification; the weight per piece of the unfinished product; and any other requirements of the end user.[25] In the original investigations, the Commission divided finishers into two groups: (1) processors and (2) threaders.[26] Processors may perform a range of finishing operations, including heat treatment, machining, and threading and coupling. Processors finish casing and tubing as well as drill pipe. Threaders, however, only perform threading and/or coupling operations, and only for casing and tubing. The Commission majority found that processors should be included in both the domestic casing and tubing industry and in the domestic drill pipe industry, but those firms that only perform basic threading and coupling operations should not.[27]

None of the parties to these reviews has objected to the definition of the domestic industry in the original determinations, and nothing in the record of these reviews indicates that we should depart from the previous determinations. Therefore, we include processors of casing and tubing as well as drill pipe in the domestic industry, but exclude those firms that perform only basic threading and coupling.[28]

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[22] 19 U.S.C. § 1677(4)(A).

[23] See, e.g., Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, Inv. Nos. 701-TA-373, 731-TA-769-775 (Final), USITC Pub. 3126, at 7 (Sept. 1998); Manganese Sulfate from the People's Republic of China, Inv. No. 731-TA-725 (Final), USITC Pub. 2932, at 5 & n.10 (Nov. 1995) ("the Commission has generally included toll producers that engage in sufficient production-related activity to be part of the domestic industry"); Original Determinations at I-15 (not including threaders in the casing and tubing industry because of "limited levels of capital investment, lower levels of expertise, and lower levels of employment").

[24] This is the same domestic industry definition as in the Original Determinations. Original Determinations at I-11 - I-12.

[25] Original Determinations at I-11 - I-12.

[26] Original Determinations at I-12.

[27] Original Determinations at I-13 - I-15. The Commission found that processors should be included in the domestic industries because processors invest a relatively substantial amount of capital in their finishing operations (within the range of investment of some U.S. mills), exercise substantial technical expertise, represent a significant level of overall employment of the industry, and add substantial value to the end product. Original Determinations at I-13 - I-14. The Commission declined to include threaders in the casing and tubing industry because of their more limited levels of capital investment, lower levels of expertise, and lower levels of employment. Original Determinations at I-15.

[28] No party has argued for exclusion from the domestic industry of any domestic producer as a related party pursuant to 19 U.S.C. § 1677(4)(B). A domestic party may be deemed a related party, independent of ownership, if its purchases of imports are significant enough to constitute "control" of an importer. The Commission has found such control to exist where the domestic producer purchased a predominant portion of an importer's imported subject merchandise and the importer's subject imports were substantial. ***, purchased *** in 2000. Confidential Report, as revised by memorandum INV-Y-115, June 6, 2001 ("CR") at III-5; Public Report ("PR") at III-2. *** purchases of subject imports from *** were equivalent to approximately *** of its production in 2000. CR at III-5; PR at III-2; CR & PR Table III-28. We find that *** volume of imported *** drill pipe in relation to its overall

III. LEGAL STANDARDS

A. Cumulation

Section 752(a) of the Act regarding review investigations provides that:

> the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.[29]

Thus, cumulation is discretionary in five-year reviews. However, the Commission may exercise its discretion to cumulate only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.[30] We note that neither the statute nor the Uruguay Round Agreements Act ("URAA") Statement of Administrative Action ("SAA") provides specific guidance on what factors the Commission is to consider in determining that imports "are likely to have no discernible adverse impact" on the domestic industry.[31] With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.[32]

The Commission has generally considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.[33] Only a

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production of drill pipe is relatively small and does not rise to the level of control generally required to exclude a member of the domestic industry as a related party. Furthermore, data also indicate that *** financial performance is similar to that of a substantial portion of the domestic producers, and that inclusion of the company in the domestic industry would not skew the data for the rest of the industry. CR & PR Tables III-25 and III-28. Finally, *** supports continuation of the orders on the subject countries. *** Questionnaire response at 2. Based on the foregoing, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

[29] 19 U.S.C. § 1675a(a)(7).

[30] 19 U.S.C. § 1675a(a)(7).

[31] SAA, H.R. Rep. No. 103-316, vol. I (1994).

[32] For a discussion of the analytical framework of Chairman Koplan and Commissioners Miller and Hillman regarding the application of the "no discernible adverse impact" provision, see Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Invs. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review) USITC Pub. 3274 (Feb. 2000). For a further discussion of Chairman Koplan's analytical framework, *see* Iron Metal Construction Castings from India; Heavy Iron Construction Castings from Brazil; and Iron Construction Castings from Brazil, Canada, and China, Invs. Nos. 303-TA-13 (Review); 701-TA-249 (Review) and 731-TA-262, 263, and 265 (Review) USITC Pub. 3247 (Oct. 1999) (Views of Commissioner Stephen Koplan Regarding Cumulation).

[33] The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical

"reasonable overlap" of competition is required.[34] In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists. Moreover, because of the prospective nature of five-year reviews, we have examined not only the Commission's traditional competition factors, but also other significant conditions of competition that are likely to prevail if the orders under review are revoked. The Commission has considered factors in addition to its traditional competition factors in other contexts where cumulation is discretionary.[35]

B. Likelihood of Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time If the Orders Are Revoked

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke a countervailing or antidumping duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur, and (2) the Commission makes a determination that revocation of an order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."[36] The SAA states that "under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports."[37] Thus, the likelihood standard is prospective in nature.[38] The statute states that "the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time."[39] According to the SAA, a "'reasonably foreseeable time' will vary from case-to-case, but normally will exceed the 'imminent' time frame applicable in a threat of injury analysis [in antidumping and countervailing duty investigations]."[40] [41]

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markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[34] See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996)).

[35] See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

[36] 19 U.S.C. § 1675a(a).

[37] SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that "[t]he likelihood of injury standard applies regardless of the nature of the Commission's original Determinations (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed." SAA at 883.

[38] While the SAA states that "a separate determination regarding current material injury is not necessary," it indicates that "the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked." SAA at 884.

[39] 19 U.S.C. § 1675a(a)(5).

[40] SAA at 887. Among the factors that the Commission should consider in this regard are "the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic

Although the standard in five-year reviews is not the same as the standard applied in original antidumping or countervailing duty investigations, it contains some of the same fundamental elements. The statute provides that the Commission is to "consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated."[42] It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, and whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated.[43] [44]

We note that the statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination.[45] We generally give credence to the facts supplied by the participating parties and certified by them as true, but base our decision on the evidence as a whole, and do not automatically accept participating parties' suggested interpretations of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. "In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive."[46] In these reviews, not all respondent interested parties provided questionnaire responses. Accordingly, we have relied on the facts available in these reviews, which consist primarily of the information collected by the Commission since the institution of these reviews, information submitted by the cooperating domestic producers, respondent parties, and other parties in these reviews, and information from the original investigations.

In evaluating the likely volume of imports of subject merchandise if the orders under review are revoked, the Commission is directed to consider whether the likely volume of subject imports would be

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products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities." Id.

[41] In analyzing what constitutes a reasonably foreseeable time, Chairman Koplan examines all the current and likely conditions of competition in the relevant industry. He defines "reasonably foreseeable time" as the length of time it is likely to take for the market to adjust to a revocation or termination. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define "reasonably foreseeable time" by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

[42] 19 U.S.C. § 1675a(a)(1).

[43] 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

[44] Section 752(a)(1)(D) of the Act directs the Commission to take into account in five-year reviews involving antidumping proceedings "the findings of the administrative authority regarding duty absorption." 19 U.S.C. § 1675a(a)(1)(D). Commerce has not issued any duty absorption findings with respect to these reviews. CR at I-17; PR at I-13 - I-14.

[45] 19 U.S.C. § 1675(e).

[46] SAA at 869.

significant either in absolute terms or relative to the production or consumption in the United States.[47] In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) 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.[48]

In evaluating the likely price effects of subject imports if the orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with the domestic like product and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the price of domestic like products.[49]

In evaluating the likely impact of imports of subject merchandise if the orders are revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.[50] All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.[51] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping and countervailing duty orders at issue and whether the industry is vulnerable to material injury if the orders are revoked.[52]

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[47] 19 U.S.C. § 1675a(a)(2).

[48] 19 U.S.C. § 1675(a)(2)(A)-(D).

[49] 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

[50] 19 U.S.C. § 1675a(a)(4).

[51] 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy " in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. Commerce found the following likely margins in its five year reviews of the antidumping duty orders: Argentina – Siderca S.A.I.C. and all others, 1.36 percent; Italy -- Dalmine S.p.A., Acciaierie Tubificio Arvedi S.p.A., General Sider Europa, S.p.A., and all others, 49.78 percent; Japan -- Nippon Steel Corp., Sumitomo Metal Industries, Ltd., and all others, 44.20 percent; Korea -- Union Steel Manufacturing Co., and all others, 12.17 percent (65 Fed. Reg. 66701, 66703 (Nov. 7, 2000)); Mexico – Hylsa, TAMSA, and all others 21.70 percent (66 Fed. Reg. 14131, 14132 (Mar. 9, 2001)); It found the likely subsidy rate in its review of the countervailing duty order on Italy to be 1.47 percent for all Italian producers (66 Fed. Reg. 13910, 13911 (Mar. 8, 2001)).

[52] The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, 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 may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at

IV. CASING AND TUBING

A. Cumulation[53]

In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied. The Commission instituted the reviews on casing and tubing from Argentina, Italy, Japan, Korea, and Mexico on July 3, 2000.[54]

1. Likelihood of No Discernible Adverse Impact

During the period 1992-94, subject imports of casing and tubing from Argentina accounted for *** to *** percent of apparent U.S. consumption; subject imports from Italy accounted for *** to *** percent of apparent U.S. consumption; subject imports from Japan accounted for *** to *** percent of apparent U.S. consumption; subject imports from Korea accounted for *** to *** percent of apparent U.S. consumption; while subject imports from Mexico accounted for *** to *** percent.[55] Although the volume of subject imports has generally declined since 1995, at least one producer in each subject country has access to an active channel of distribution in the United States.[56]

Producers in each of the subject countries continue to produce and export *** volumes of the subject casing and tubing. In addition, producers in each of the subject countries produce other tubular products on the same machinery used to produce the subject merchandise and can shift production between the subject merchandise and other products. In light of the prevailing conditions of competition in the U.S. market (including the importance of price considerations to purchasers),[57] we do not find that subject imports of casing and tubing from any of the subject countries are likely to have no discernible adverse impact on the domestic industry.

885.

[53] Commissioner Bragg does not join this section of the opinion. See Separate and Dissenting Views of Commissioner Lynn M. Bragg.

[54] Institution of Five-Year Reviews Concerning the Countervailing Duty and Antidumping Duty Orders on Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, 65 Fed. Reg. 41088 (July 3, 2000) (Int'l Trade Comm'n), see also Notice of Initiation of Five-Year ("Sunset") Reviews, 65 Fed. Reg. 41053 (July 3, 2000 (Dep't of Commerce).

[55] CR & PR at Table I-1.

[56] U.S. importer Siderca is located in Houston, Texas. NKK, TAMSA, Dalmine, and Siderca are members of the Tenaris alliance which has long-term global contracts with large oil and gas companies with operations in the United States. Also, subject imports from Korea currently have a substantial presence in the United States market.

[57] CR at II-27; PR at II-17.

2. Likelihood of Reasonable Overlap of Competition

In the original investigations, the Commission found that there was a reasonable overlap of competition and cumulated subject imports of casing and tubing from all subject countries for purposes of its injury determinations. With respect to fungibility of casing and tubing from subject countries, the Commission determined that imports from Argentina, Italy, Korea, Japan, and Mexico were fungible and competed with each other and the domestic like product. Purchasers generally reported that subject imports were good or at least moderate substitutes for one another and for the domestic products.[58] [59]

With respect to imports from Japan, the Commission found an overlap in the size ranges and grades of imports from Japan, the other subject countries, and domestic casing and tubing.[60] Korean respondents also argued in the original investigations that imports from Korea should not be cumulated with other subject imports because Korean products are primarily welded, seam-annealed OCTG tubing. The Commission found, however, that seamless and welded products competed in certain applications.[61] The Commission further found that while some purchasers perceived Korean OCTG to be inferior in quality to most other subject imports or domestic OCTG, the majority stated that imports of OCTG from Korea, other subject countries, and the domestic product were substitutable.[62]

Based on these factors, and the fact that all subject imports were sold in the same geographic regions, through similar channels of distribution, and were simultaneously present in the market with other subject imports and the domestic like product, the Commission found that a reasonable overlap of competition existed among subject imports from Argentina, Italy, Japan, Korea and Mexico, as well as between those imports and the domestic like product.

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[58] Original Determinations at I-23.

[59] Similar to the Japanese respondents in these reviews, the Italian respondents in the original investigations alleged that imports from Italy did not compete with the U.S. product because they were sold in distinct market niches. However, the Commission found that purchasers viewed imports from Italy as good or moderate substitutes for domestic OCTG. In addition, domestic OCTG was sold in all of the same API categories as imports from Italy. The Commission also found that a reasonable overlap of competition between Italian casing and tubing and other subject imports of casing and tubing. Original Determinations at I-23 n.142.

[60] Original Determinations at I-23. While two of the three largest categories of imports from Japan (in terms of U.S. shipments) were in the "above-API" category (where there was little or no competition with other subject imports), there were nonetheless significant quantities of imports from Japan in the standard API categories as well (where there is the greatest degree of competition with other subject imports and the domestic like product). Although Japanese respondents reported selling in "niche" or specialty product categories, total shipments in these categories did not exceed 20 percent of total Japanese shipments of casing and tubing during any year of the period of investigation, and were generally considerably less than that. Original Determinations at I-23-24.

[61] Original Determinations at I-24. API specifications for most grades of casing and tubing specify that either welded or seamless construction is acceptable for the end-use applications (exceptions are for drill pipe and extremely thick casing, which must be seamless). Original Determinations at I-24. Many purchasers stated that they preferred seamless casing and tubing over welded casing or tubing in certain high-pressure, corrosive, and hazardous environments. However, 26 out of 34 purchasers stated that they found seamless and welded OCTG products to be substitutable in at least some applications. Id.

[62] Original Determinations at I-24.

a. Fungibility

The current record similarly indicates that subject imports and the domestic like product are relatively fungible and are made to the same specifications.[63] Purchasers reported that API 5CT certification was an important factor in purchasing decisions and that subject imports and the domestic like product generally meet API certification requirements. Distributors generally reported that customers will accept any high quality, API-certified product regardless of origin.[64] The record also indicates that welded and seamless product must meet the same API specifications for a particular use.[65]

U.S. producers, importers, and purchasers generally reported that all casing and tubing from Argentina, Italy, Mexico, Japan, Korea and the United States were interchangeable.[66] U.S. producers added that as long as OCTG met API standards, it generally competed on price.[67] Although there are some perceived quality differences, we find that domestically produced casing and tubing and casing and tubing imported from the five subject countries would be largely fungible products.[68] Generally, casing and tubing from all subject countries and domestically produced casing and tubing must meet API 5CT standards, and can be used interchangeably.[69] Japanese respondents argued that their products consist of high quality "niche" casing and tubing that would not compete with other subject imports.[70] However, purchaser responses and industry witness testimony indicate that Japanese seamless casing and tubing is relatively fungible with the domestic like product and with other subject imports.[71]

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[63] CR at I-22, II-27; PR at I-18, II-17.

[64] CR at II-26; PR at II-17.

[65] Original Determinations at I-16.

[66] CR at II-27 - II-29; PR at II-17 - II-18. U.S. importers also generally reported that U.S. and subject OCTG were "always," "frequently," or "sometimes" interchangeable. Seven importers reported that U.S. casing and tubing were "always" interchangeable with Argentine, Italian, and Mexican casing and tubing. While eight had the same characterization for U.S. and Japanese casing and tubing, only six thought that U.S. and Korean casing and tubing was "always" interchangeable.

Purchasers were also asked whether U.S. and subject OCTG were interchangeable. Fourteen purchasers said that U.S. and all subject imports were "always" interchangeable, while two said that U.S. OCTG was always interchangeable with Argentine, Mexican, and Japanese OCTG but "frequently" interchangeable with Korean OCTG. One purchaser said that U.S. and Italian OCTG were only "sometimes" interchangeable. Two purchasers described U.S., German, and Japanese OCTG as high quality, while two more described only U.S. OCTG that way.

[67] CR at II-26 - II-27; PR at II-17. Purchasers likewise stressed the importance of price, as well as quality (defined as meeting API specifications, ability to handle claims, testing, and end user acceptance). CR at II-27; PR at II-17.

[68] Moreover, we observe that manufacturers in at least three subject countries (Argentina, Japan, and Mexico) produce or have produced both seamless and welded casing and tubing for export.

[69] CR at II-26 - II-27; PR at II-17.

[70] ***.

[71] NKK is a member of the Tenaris alliance (formerly known as the DST Group) that includes respondent companies TAMSA, Dalmine, and Siderca. The Tenaris companies argue that each specializes in products of a particular size range which limits the actual competition between them. The Italian producer Dalmine argued that it does not produce OCTG casing below seven inches in diameter and produces no OCTG tubing. Therefore, according to Dalmine, its lack of production of OCTG under seven inches in diameter prevents meaningful participation in the U.S. market. We note, however, that there is a substantial overlap in the size ranges for the various companies, and that each can and does produce casing and/or tubing within each of these ranges. CR at II-29; PR at II-18.

b. Channels of Distribution

As in the original determinations, we find that subject casing and tubing imports and domestic casing and tubing will likely be sold through similar channels of distribution. Virtually all subject imports and U.S. casing and tubing are sold to OCTG distributors who then resell the products to other distributors or end users.[72]

Respondents that are members of the Tenaris alliance (NKK, TAMSA, Dalmine, and Siderca) argued that their commitment to selling directly to end-users precludes them from competing directly with the domestic like product, which is primarily sold through distributors.[73] However, as stated previously, during the original investigations the Commission found that subject imports were sold primarily to distributors and, today, the majority of all OCTG continues to be sold by both domestic producers and importers to distributors.[74] U.S. distributors also stated that, as at the time of the original investigations, they continue to purchase substantial volumes of tubular products, including subject merchandise, from subject country producers for sale in the United States or internationally.[75]

c. Simultaneous Presence and Sales in Same Geographic Market

In the original determinations, the Commission found that imports of casing and tubing from all subject countries and the domestic like product were sold in the same geographic markets and nothing in the record of these reviews indicates a different result if the orders are revoked. The Commission found that the vast majority of imports from all subject countries entered into customs districts in Texas and were sold in the Gulf region, where sales of domestic OCTG were also concentrated.[76] Even though imports from Japan were sold in regions where there were no sales of other subject imports, most notably the Alaskan market, there were nevertheless significant amounts of imports from Japan sold in the same regions as all other subject imports and the domestic products.[77]

Evidence gathered during these reviews indicates that most large distributors are headquartered in the Houston, Texas, area, though they may have supply depots in other parts of the country.[78] There is some division of distribution by geographic area, but most distributors sell nationwide.[79] Importers similarly reported selling throughout the continental United States.[80]

Furthermore, in the original investigations, the Commission found that subject casing and tubing imports and domestic casing and tubing were simultaneously present in the market during the period of investigation. There were imports of casing and tubing from each subject country and shipments of domestic casing and tubing reported in each year from 1992 through 1994, as well as in interim 1995

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[72] CR at I-26; PR at I-20.

[73] The record suggests that national market dynamics greatly influence the channel structure employed by the Tenaris group. For example, despite selling *** of their product line through end users in their respective home markets and other markets, Dalmine, Siderca, and TAMSA each sell a *** portion through distributors in the U.S. market. See TAMSA Posthearing Brief at exhibit 1.

[74] CR at I-26, II-2 - II-5; PR at I-20, II-1 - II-3.

[75] Domestic Producers' Additional Factual information, Attachment M (June 6, 2001); Domestic Producers' Posthearing Br., Attachment D (May 17, 2001).

[76] Original Determinations at I-22.

[77] Original Determinations at I-22.

[78] CR at II-5; PR at II-4.

[79] Eight producers reported selling OCTG nationwide, five reported selling in the continental United States, and three reported selling in a specified region, usually the Southwestern United States. CR II-5; PR at II-4.

[80] CR at II-5 - II-6; PR at II-4.

(with the exception of imports from Italy).[81] Nothing in the record of these reviews suggests that if the orders are revoked subject imports and the domestic like product would not be simultaneously present in the domestic market.[82]

Therefore, we conclude that there likely would be a reasonable overlap of competition between the subject imports and the domestic like product, and among the subject imports themselves, if the orders are revoked.

3. Other Considerations

We have taken into account other significant conditions of competition that are likely to prevail if the orders are revoked in evaluating whether to cumulate subject imports. We find that subject imports from Argentina, Italy, Japan, Korea and Mexico would compete in the U.S. market under similar conditions of competition, discussed below. Therefore, based on the foregoing, we exercise our discretion to cumulate subject imports from Argentina, Italy, Japan, Korea and Mexico.

B. Conditions of Competition[83]

The following conditions of competition in the OCTG casing and tubing industry are relevant to our determinations.

In the original determinations, the Commission found that demand for all subject OCTG depends on the level of oil and gas drilling, which in turn depends on such factors as the price of oil and gas and climatic conditions.[84] During the original period of investigation, natural gas prices increased due to two extremely cold winters on the East Coast, which in turn caused an increase in drilling activity.[85]

Second, the Commission noted that many OCTG pipe grades are available in both welded and seamless forms. At that time, improvements in technology used to produce welded OCTG resulted in increased competition between the seamless and welded forms of OCTG.[86]

Third, the Commission found that although respondents argued that they prefer to sell to end-users, the record demonstrated that most distributors purchased both domestic OCTG and subject imports, and most U.S. mills sold to a variety of different suppliers with very few exclusive contracts with distributors.[87]

According to the record of these reviews, the United States is currently the single largest market in the world for OCTG.[88] Unlike most other major OCTG markets in the world where predominantly seamless casing and tubing are used in drilling operations, the U.S. market requires substantial volumes

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[81] Original Determinations at I-23.

[82] Argentine and Italian respondents argued that based on the small volume of subject imports from Italy and Argentina since 1996, it is difficult at best to assess whether such imports would be simultaneously present in the U.S. market if the orders were revoked. However, we note that import data indicate that subject imports from Argentina and Italy were present in the U.S. market in every year since the order went into effect. Thus, the record in the present reviews indicates that the domestic like product and imports of the subject merchandise continue to be simultaneously present in the market and sold in the same geographic markets.

[83] Commissioner Bragg joins this section of the opinion.

[84] Original Determinations at I-16.

[85] Original Determinations at I-16.

[86] Original Determinations at I-16.

[87] Original Determinations at I-16.

[88] CR at II-8; PR at II-5.

of both welded and seamless casing and tubing.[89] API specifications for casing and tubing do not distinguish between welded and seamless casing and tubing. The two types of casing and tubing can be substituted in many applications, although seamless casing and tubing is generally preferred (or required) for demanding drilling conditions and is generally more expensive than welded casing and tubing.[90]

Data gathered during these reviews indicate that apparent U.S. consumption of casing and tubing has grown moderately since the period examined in the original investigations.[91] Oil and natural gas prices, critically important determining factors of OCTG demand, have fluctuated since 1995.[92] Oil and gas prices and OCTG consumption were depressed in 1999. Since then, prices of both crude oil and natural gas have increased. Evidence in these reviews suggests that this upward demand is driven by long-term factors, such as increased demand both inside and outside the United States for petroleum products, and heavily increased natural gas demand in the United States due to rising electricity demand and restrictions on other types of electrical generation.[93]

Demand for casing and tubing is currently strong and the current consensus of forecasts is that it will remain strong in the reasonably foreseeable future.[94] We note, however, that such forecasts are difficult to make with consistent accuracy given the volatility of the forces affecting oil and gas supply and demand globally.

U.S. OCTG demand is based on the number of active rotary or workover rigs drilling for oil and natural gas in the United States. Thus, the demand for OCTG depends on the number of active rigs, which in turn is driven by the prices of oil and natural gas. *** stated that since 1995, the infrastructure to support drilling in the United States has contracted because many drill rig owners have exited the market.[95] Domestic producers estimate the upper limit of drilling rigs in the United States to be about 1,250 to 1,300 rigs for the foreseeable future given the equipment and trained manpower currently available.[96] [97] Respondents assert that any limitations on manpower or equipment are at most temporary conditions that would not represent a serious constraint on increases in the number of operating rigs.[98]

With respect to supply, over the period of review, the domestic casing and tubing industry increased its production capacity from 2,711,346 short tons in 1995 to 3,342,486 short tons in 2000, and production quantity increased from 1,585,571 short tons in 1995 to 2,204,227 short tons in 2000. Since the period examined in the original investigations, imports of casing and tubing from nonsubject

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[89] The only other major market for welded casing and tubing is Canada. TAMSA Posthearing Br., Q. 15-18 and Exhibit 2; Hearing Tr. at 144-49 and 279. In 2000, the U.S. OCTG market was divided approximately equally between welded and seamless tubular products. See Grant Prideco: The World Leader in Oilfield Tubulars, by J. Marshal Adkins and John M. Tasdemir (Raymond James & Associates, Inc., St. Petersburg, FL, Dec. 19, 2000) at 28. This publication appears in Siderca's public prehearing brief at exhibit 5.

[90] CR at II-27-29; PR at II-17-18. See CR & PR Table V-16.

[91] CR & PR Table I-1.

[92] CR at II-20; PR at II-13.

[93] CR at II-20; PR at II-13.

[94] CR at II-22; PR at II-13.

[95] CR at II-22; PR at II-14.

[96] We note that as of the week of June 1, 2001, Baker Hughes reported that the U.S. rig count was 1,270 rigs, up from 1,262 the prior week. Baker Hughes press release, OINV compilation of articles dated June 4, 2001.

[97] Domestic producers also stated that in such a volatile industry, where the rig count was 866 in June of 1999 and 1,270 in June of 2000, companies must make returns during high demand periods in order to fund investment and weather low demand periods. CR at II-17; PR at II-10.

[98] Siderca Posthearing Br. at 8.

countries have gradually increased in volume and as a share of the market, while imports from subject sources have declined.[99]

Production facilities in subject countries and in the United States produce a variety of products in addition to OCTG. Standard, line, and pressure pipe, mechanical tubing, pressure tubing, and structural pipe and tubing are generally produced on the same equipment used to manufacture OCTG casing and tubing.[100] Consequently, producers can easily shift production away from other tubular products toward production of OCTG and vice versa.[101] Of all the tubular products that can be produced in these facilities, OCTG commands among the highest price in the market, and producers thus have an incentive to make as much OCTG as possible in relation to other products.[102]

Another significant condition of competition is the consolidation of five foreign producers of seamless casing and tubing (four of which are from subject countries) into the Tenaris Alliance (or DST Group): Siderca (Argentina), Dalmine (Italy), TAMSA (Mexico), NKK (Japan), and Algoma (Canada).[103] The Tenaris companies operate as a unit, submitting a single bid for contracts to supply OCTG products and related services. Tenaris' customer base includes large multi-national oil and gas companies, many of which have operations in the United States.[104]

We find that the foregoing conditions of competition provide an adequate basis upon which to assess the likely effects of revocation within a reasonably foreseeable time.

C. Revocation of the Orders on Subject Casing and Tubing Imports from Argentina, Italy, Japan, Korea and Mexico Is Likely to Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time[105]

For the reasons stated below, we determine that revocation of the antidumping and countervailing duty orders on casing and tubing from Argentina, Italy, Japan, Korea, and Mexico would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

1. Likely Volume of Cumulated Subject Imports

In the original determinations, the Commission found that subject import volume followed the rise and fall of domestic consumption. According to the Commission, domestic consumption of casing and tubing increased significantly during the original period of investigation as did the absolute volume and value of cumulated subject imports of casing and tubing.[106] While there was a decline in subject import volume and value from 1993 to 1994, the level of cumulated imports in 1994 remained well above the 1992 level. Both the volume and value of subject imports declined significantly in interim 1995 compared to interim 1994. The Commission also found that the rate of increase in the volume of

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[99] CR & PR Table I-1.

[100] CR at II-9; PR at II-6.

[101] See, e.g., ***.

[102] CR at II-6; PR at II-4; Hearing Tr. at 157-166.

[103] CR at II-4, n.14; and IV-1; PR at II-3, n.14, and IV-1.

[104] *** Questionnaire Response at 5; CR at II-4; PR at II-3.

[105] Commissioner Bragg joins this section of the opinion.

[106] Original Determinations at I-17 and I-29.

cumulated subject imports was far greater than the overall increase in consumption between 1992 and 1994.[107]

In addition, the Commission found that the market share of cumulated subject imports by both volume and value rose significantly, nearly doubling from 1992 to 1994, and subsequently declining in interim 1995 as compared to interim 1994. The Commission further found that during the original period of investigation, domestic producers' market share declined substantially.[108] Accordingly, the Commission determined that the volume and market share of subject imports was significant.[109]

During the original period of investigation subject imports of casing and tubing rose from *** short tons in 1992 to *** short tons in 1994. After the orders went into effect subject imports decreased but remained a factor in the U.S. market. The volume of subject imports was *** short tons in 1996, *** short tons in 1997, *** short tons in 1998, *** short tons in 1999, and rose *** to *** short tons in 2000.[110] The market share of subject imports reached a peak of *** percent in 1993. After the orders entered into effect, subject import market share dropped to *** percent in 1996, 1997, and 1998, but rose to *** percent in 1999 and to *** percent in 2000. While current import volume and market share of subject imports are substantially below the levels of the original investigation, current levels likely reflect the restraining effects of the orders. As explained below, we find that the volume of subject imports is likely to increase significantly in the event of revocation.

In these reviews we have considered foreign producers' operations with respect to casing and tubing and with respect to all pipe and tube products produced on the same machinery and equipment as casing and tubing.[111] As noted above, producers in the subject countries can shift with relative ease between production of casing and tubing and production of other pipe and tube products.[112]

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[107] Original Determinations at I-29 - I-30.

[108] Original Determinations at I-30.

[109] Original Determinations at I-30 - I-31.

[110] CR & PR Table I-1.

[111] CR & PR Tables IV-4, IV-6, IV-7, IV-9, IV-10, C-9, C-10, C-11, C-12, and C-13.

[112] See, e.g., ***.

Combined capacity to produce casing and tubing in Argentina,[113] Italy,[114] Japan,[115] Korea,[116] and Mexico[117] was *** short tons in 2000.[118] Combined capacity for all pipe and tube products was *** short tons, which represents about *** apparent U.S. consumption of casing and tubing in 2000.[119]

We find that there is substantial available capacity in the subject countries for increasing exports of casing and tubing to the United States. In the original investigations, the import volume, market share, and production capacity of casing and tubing from Japan were the largest of the subject countries. During the original investigation, Japanese producers reported excess capacity.[120] In the current review, only a single producer, NKK, representing less than *** of Japanese production, provided data to the Commission. In addition to the reported capacity of NKK, we find that there is significant available capacity among the other Japanese producers, even taking into account the apparent closure of Nippon's OCTG production facilities.[121]

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[113] The original investigations listed two Argentine producers, Siderca and Tubhier, with Siderca having a 1994 capacity of *** tons of casing and tubing. In these reviews, the Commission received responses from Argentine producers Siderca and Acindar (a producer of welded OCTG). Siderca estimates that it accounted for *** percent of total Argentine production of seamless OCTG in 2000. CR at IV-2; PR at IV-1. The production capacity of Siderca and Acindar for casing and tubing was *** short tons in 2000. Argentina's capacity utilization rates for casing and tubing were *** percent in 1995, *** percent in 1996, *** percent in 1997, and *** percent in 1998, but fell to *** percent in 1999. Its capacity utilization rate rose thereafter to *** percent in 2000. CR & PR Table IV-4.

[114] Dalmine estimates that it accounted for *** percent of total Italian production of OCTG in 2000. Dalmine's production capacity for casing and tubing was *** short tons in 2000. Italy's capacity utilization rates for casing and tubing were *** percent in 1995, *** percent in 1996, *** percent in 1997, *** percent in 1998, *** percent in 1999, and *** percent in 2000. CR & PR Table IV-6.

[115] The original investigations listed four Japanese producers, Kawasaki, NSC, NKK, and Sumitomo, with a 1994 capacity of *** short tons of casing and tubing. Original Determinations Table E-4. In these reviews, the Commission only received a response from NKK. NKK reported a capacity for casing and tubing of *** short tons in 2000, up from *** in 1999. *** reported that *** Nippon had closed its OCTG producing plants, and that ***. U.S. producers stated that non-responding Japanese producers have the potential to supply 3.5 million tons of OCTG. CR at II-13; PR at II-8. NKK's capacity utilization rates were *** percent in 1995, *** percent in 1996, *** percent in 1997, *** percent in 1998, *** percent in 1999, and *** percent in 2000. CR & PR Table IV-7.

[116] The original investigations listed four Korean producers, Dongbu, Hyundai, Pusan, and Union Steel, with a 1994 capacity (excluding Hyundai) of *** short tons of casing and tubing. In these reviews, the Commission received responses from two Korean producers, SeAH and Shinho, with a combined capacity for casing and tubing of *** short tons in 2000, up from *** short tons in 1999. CR & PR Table IV-9.

[117] The original investigations listed two Mexican producers, TAMSA and Hylsa, with a 1994 capacity of *** short tons of casing and tubing. In these reviews, the Commission received responses from both Mexican producers, with a combined capacity of *** short tons for casing and tubing in 2000. TAMSA and Hylsa accounted for *** percent of total Mexican production of OCTG in 2000. Mexico's capacity utilization rates for casing and tubing were *** percent in 1995, *** percent in 1996, *** percent in 1997, and *** percent in 1998, but fell to *** percent in 1999 before increasing to *** percent in 2000. CR & PR Table IV-10.

[118] CR & PR Tables IV-4 - IV-10.

[119] See CR & PR Table I-1.

[120] Original Confidential Staff Report ("Original Staff Report") at I-39.

[121] The original investigations listed four Japanese producers, Kawasaki, NSC, NKK, and Sumitomo, with a 1994 capacity of *** short tons of casing and tubing. Original Determinations Table E-4. In these reviews, the Commission only received a response from NKK. NKK's data suggest that production of casing, tubing and other tubular products in Japan has actually declined since 1995. CR & PR Tables IV-7 and C-11. *** reported that Nippon has closed its OCTG producing plant. CR at II-13; PR at II-8.

Korean producers reported a relatively *** capacity utilization rate in 2000 for both casing and tubing (*** percent) and for all pipe and tube products (*** percent). Korea's unused capacity for all pipe and tube products in 2000 was *** short tons, which represented approximately *** of U.S. consumption of casing and tubing.

Producers in the other subject countries (and NKK in Japan) reported *** capacity utilization rates in 2000 for both casing and tubing and all pipe and tube products, although the rates were *** lower as recently as 1999. For most subject suppliers, the ability to achieve high levels of overall capacity utilization depends on maintaining high levels of casing and tubing production. The recent *** capacity utilization rates represent a potentially important constraint on the ability of these subject producers to increase shipments of casing and tubing to the United States. Nevertheless, the record indicates that these producers have incentives to devote more of their productive capacity to producing and shipping more casing and tubing to the U.S. market.

First, Tenaris is the dominant supplier of OCTG products and related services to all of the world's major oil and gas drilling regions except the United States.[122] Tenaris states that it is the only entity that can serve oil and gas companies on a global basis, and that it seeks worldwide contracts with such companies.[123] Many of Tenaris' existing customers are global oil and gas companies with operations in the United States.[124] While the Tenaris companies seek to downplay the importance of the U.S. market relative to the rest of the world, they acknowledge that it is the largest market for seamless casing and tubing in the world.[125] Given Tenaris' global focus, it likely would have a strong incentive to have a significant presence in the U.S. market, including the supply of its global customers' OCTG requirements in the U.S. market.[126]

Second, casing and tubing are among the highest valued pipe and tube products, generating among the highest profit margins.[127] Thus, producers generally have an incentive, where possible, to shift production in favor of these products from other pipe and tube products that are manufactured on the same production lines.

Third, the record in these reviews indicates that prices for casing and tubing on the world market are significantly lower than prices in the United States.[128] Virtually all purchasers reported that, notwithstanding the discipline imposed by the orders, subject imports are never more expensive than the domestic like product and often less expensive.[129] One purchaser reported that if the orders are revoked, ***[130] We have considered respondents' arguments that the domestic industry's claims of price

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[122] CR at II-9; PR at II-6.

[123] CR at II-9 - II-10; PR at II-6; *** Questionnaire Response at 5.

[124] Tenaris argues that the global oil and gas companies with which it has business outside the United States represent only 12-14 percent of U.S. oil and gas rigs. TAMSA Posthearing Br. Exhibit 3. The domestic industry asserts that these firms have a substantially greater U.S. presence. Domestic Producers' Prehearing Br. at 46 We find that these global companies have a significant U.S. presence using either estimate.

[125] TAMSA Posthearing Br. Exhibit 2.

[126] As described above, we do not find that Tenaris' preference to sell directly to end users as opposed to distributors is likely to limit significantly its participation in the U.S. market.

[127] Hearing Tr. at 157-166.

[128] Testimony of Mr. Thompson, Northstar, Hearing Tr. at 42, stating that global pricing is $200 per ton lower than U.S. prices; Testimony of Mr. Stewart, Huntington Vinson, Hearing Tr. at 54, stating that international prices are generally 20 to 25 percent lower than U.S. prices; Testimony of Mr. Chaddick, Sooner, Hearing Tr. at 56, testifying that Tenaris' prices are as much as 40 percent lower than U.S. prices.

[129] CR & PR at V-4. One purchaser said that Japanese OCTG were more expensive than U.S. OCTG. Id.

[130] ***.

differences are exaggerated,[131] but nevertheless conclude that there is on average a difference sufficient to create an incentive for subject producers to seek to increase their sales of casing and tubing to the United States.

Fourth, subject country producers also face import barriers in other countries,[132] or on related products. Argentine, Japanese, and Mexican producers are subject to antidumping duty orders in the United States on seamless standard, line, and pressure pipe, which are produced in the same production facilities as OCTG.[133] Korean producers are subject to import quotas on welded line pipe shipped to the United States and U.S. antidumping duty orders on circular, welded, non-alloy steel pipes.[134] Canada currently imposes 67 percent antidumping duty margins on casing from Korea.[135]

Finally, we find that industries in *** of the subject countries are dependent on exports for the majority of their sales. Japan and Korea in particular have very small home markets and depend nearly exclusively on exports. The export orientation of the industries in the subject countries indicates they would seek to re-enter the U.S. market in significant quantities, as they did during the original investigations, if the orders were revoked.[136]

We therefore find that, in the absence of the orders, the likely volume of cumulated subject imports, both in absolute terms and as a share of the U.S. market, would be significant.

2. Likely Price Effects

In its original determinations, the Commission found that the domestic and imported products were generally substitutable and that price is one of the most important factors in purchasing decisions.

Despite the mixed evidence as to instances of underselling and overselling, the Commission concluded that the underselling by subject imports, however cumulated, was significant. In particular, the Commission determined that underselling by subject imports was significant in instances where purchasers reported that the quality of such imports was superior to that of the domestic product.[137]

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[131] TAMSA Posthearing Br. at Q. 1-5.

[132] Vice Chairman Okun considered the record evidence of cartel-like behavior in her analysis of the existence of barriers to importation into countries other than the United States. See "Commission fines cartel of seamless tube producers for market sharing," IP/57/957, released from Brussels on Dec. 6, 1999. With respect to the "Europe - Japan club," she considered the products in which the European Commission found there was a cartel (OCTG and seamless line pipe); the producers concerned (producers in the United Kingdom, Italy, Germany, France, and Japan); the infringing activity (refraining from delivery of the subject product to markets in which the other national producers were established); the duration of the restricted competition (1990-95); and the extent of the restrictions (19 percent of European Community consumption of seamless OCTG and line pipe). In analyzing such issues as the availability of export markets other than the United States, she based her conclusions on the record as a whole, assessing carefully the information and arguments provided by all parties.

[133] CR at IV-2 - IV-6, PR at IV-1, IV-5 - IV-8.

[134] See Circular Welded Quality Line Pipe, Inv. No. TA-201-70, USITC 3261 (Dec. 1999); Certain Circular, Welded , Non-Alloy Steel Pipes & Tubes from Brazil, the Republic of Korea, Mexico, Romania, Taiwan, and Venezuela, (Final) Inv. Nos. 731-TA-532-537, USITC Pub. 2564 (Oct. 1992).

[135] CR at IV-5; PR at IV-7.

[136] Moreover, we note that U.S. importers' inventories of subject casing and tubing were *** short tons in 2000. CR & PR at Table IV-3. Subject producers' end of period inventories of casing and tubing in 2000 were *** short tons. CR & PR Tables IV-4 - IV-10.

[137] E.g., in the case of imports from Japan, which represented a large share of the total cumulated imports. Original Determinations at I-31.

In addition, the Commission found that cumulated subject imports suppressed domestic prices to a significant degree, despite the unclear trend in domestic and import prices.[138] The significant volumes of casing and tubing available from the cumulated subject countries effectively kept domestic producers from raising prices despite high costs.[139] Because imported and domestic casing and tubing were relatively close substitutes, the Commission concluded that changes in relative prices were likely to cause purchasers to shift among supply sources. Purchasers repeatedly stated that subject imports from Argentina, Italy, Korea, Japan, and Mexico exerted downward pressure on domestic prices.[140]

The trend in prices of U.S.-made casing and tubing since 1995 has varied by product. For most products, domestic prices peaked in 1998, fell significantly in 1999, then rebounded in 2000. While direct selling comparisons are limited because the subject producers had a limited presence in the U.S. market during the period of review, the few direct comparisons that can be made indicate that subject casing and tubing generally undersold the domestic like product especially in 1999 and 2000.[141]

The record in these reviews indicates that the subject imports are highly substitutable for domestic casing and tubing.[142] The record also indicates that price is a very important factor in purchasing decisions.[143] Thus, the increases in subject import sales volume we find likely to occur would be achieved through lower prices.

Given the likely significant volume of subject imports, the high level of substitutability between the subject imports and domestic like product, the importance of price in purchasing decisions, the volatile nature of U.S. demand, and the underselling by the subject imports in the original investigations and during the current review period, we find that in the absence of the orders, casing and tubing from Argentina, Italy, Japan, Korea, and Mexico likely would compete on the basis of price in order to gain additional market share.[144] We find that such price-based competition by subject imports likely would have significant depressing or suppressing effects on the prices of the domestic like product.

3. Likely Impact

In the original determinations, the Commission found that the adverse impact of the cumulated subject imports was reflected in the poor operating performance of the domestic industry (despite a sharp increase in U.S. consumption) and in the decline in U.S. market share of over *** percentage points from 1992 to 1994. Subject imports captured a significant portion of the increase in consumption, and also took market share away from domestic producers.[145] During the period when cumulated subject imports were increasing their market share, the domestic industry experienced continued operating losses, low levels of capacity utilization, and increased inventories.[146]

The Commission further found that the large volumes of cumulated subject imports, which purchasers generally viewed as good substitutes for the domestic product, were inhibiting the domestic

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[138] Original Determinations at I-31.

[139] Original Determinations at I-31.

[140] Original Determinations at I-31.

[141] CR & PR Tables V-1 -V-5, V-7, V-8.

[142] CR at II-27; PR at II-17.

[143] CR at II-27; PR at II-17.

[144] Commissioner Bragg infers that in the event of revocation, subject producers in Argentina, Italy, Japan, Korea and Mexico will likely revert to aggressive pricing practices in connection with exports of subject merchandise into the United States, as evidenced in the Commission's original determinations.

[145] Original Determinations at I-32, Original Determinations (confidential) at 50.

[146] Original Determinations at I-32.

industry from increasing market share and from raising prices. Because demand is determined primarily by the level of drilling activity, decreases in prices for the subject products do not generally lead to significant increases in overall volumes demanded. The Commission thus found that suppliers had to compete for market share and the lowest price would generally prevail. In addition, the Commission determined that the adverse impact of cumulated subject imports was also reflected in the inability of the domestic industry to raise prices sufficiently to cover costs between 1992 and 1994.[147]

The evidence on the most current condition of the domestic industry is positive. The industry recovered after the orders were imposed and appears to have benefitted from the discipline imposed by the orders. The industry's performance indicators rose and fell with the volatile swings in demand. Domestic producers' shipments fluctuated dramatically during the period of review, declining from 1,410,088 short tons in 1998 to 1,055,770 short tons in 1999, and rising again to 2,005,644 short tons in 2000.[148] The consolidated results of casing and tubing operations also reflect dramatic swings in operating performance during the period of review. From 1995 to 1997 operating income increased from a loss of $0.6 million to a profit of $174 million. After peaking in 1997, overall operating income declined quickly to an operating loss of $129 million in 1999. In the following year, there was a rapid recovery of operating income to $130 million.

Over the period of review, the industry increased its production capacity from 2,711,346 short tons in 1995 to 3,342,486 short tons in 2000, and its production quantity increased from 1,585,571 short tons in 1996 to 2,204,227 short tons in 2000. The industry's capacity utilization fluctuated from 58.5 percent in 1995, to 80.5 percent in 1997, to 37.4 percent in 1999, and to 65.9 percent in 2000.[149] Domestic market share was 90.0 percent in 1995, but has fallen irregularly since then, to 74.9 percent in 2000, due largely to an increase in non-subject imports.

On balance, we find that the domestic industry's condition has improved since the orders went into effect as reflected in most indicators over the period reviewed, and we do not find the industry to be currently vulnerable.

We find, however, as discussed above, that revocation of the orders likely would lead to a significant increase in the volume of subject imports which likely would undersell the domestic like product and significantly depress or suppress the domestic industry's prices. Moreover, in the original investigations, subject imports captured market share and caused price effects despite a significant increase in apparent consumption in 1993 and 1994 as compared to 1992. In these reviews, we find that a significant increase in subject imports is likely to have negative effects on both the price and volume of the domestic producers' shipments despite strong demand conditions in the near term. We find that these developments likely would have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. This reduction in the domestic industry's production, shipments, sales, market share, and revenues would result in erosion of the domestic industry's profitability as well as its ability to raise capital and make and maintain necessary capital investments.

V. DRILL PIPE

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[147] Original Determinations at I-32. In the original determinations, the Commission also found it noteworthy that the domestic industry's condition improved dramatically in interim 1995 compared to interim 1994. During this same period there was a dramatic decline in the volume of cumulated subject imports. Moreover, the industry's operating loss declined by 63.3 percent during this period and its gross profits in interim 1995 were higher than either interim or full-year 1994 when it reported losses. Original Determinations at I-18 and I-32.

[148] CR & PR Table I-1.

[149] CR & PR Table I-1.

A. Cumulation[150]

In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied. The Commission instituted the reviews on drill pipe from Argentina, Japan, and Mexico on July 3, 2000.[151]

1. Likelihood of No Discernible Adverse Impact

During the period 1992-94, subject imports of drill pipe from Argentina accounted for *** to *** percent of apparent U.S. consumption; subject imports from Japan accounted for *** to *** percent of apparent U.S. consumption; and subject imports from Mexico accounted for *** to *** percent of apparent U.S. consumption.[152] Although the volume of subject imports has generally declined since 1995, at least one producer in each subject country has access to an active channel of distribution in the United States.[153]

Producers in each of the subject countries continue to produce and export drill pipe. In addition, producers in each of the subject countries produce other tubular products on the same machinery used to produce the subject merchandise and can shift production between the subject merchandise and other products. In light of the prevailing conditions of competition in the U.S. market (including the importance of price considerations to purchasers),[154] we do not find that subject imports of drill pipe from any of the subject countries are likely to have no discernible adverse impact on the domestic industry.

2. Likelihood of Reasonable Overlap Of Competition

In the original investigations the Commission found that there was a reasonable overlap of competition between drill pipe imports from Argentina and Mexico and the domestic like product, but did not find a reasonable overlap of competition between drill pipe imports from Japan with those from Argentina and Mexico. Although the Commission found that drill pipe imports from Argentina, Japan, and Mexico were all simultaneously present in the market and sold in the same geographic markets, it found differences with respect to fungibility and channels of distribution.[155]

The Commission found that imports of drill pipe from Japan were not fungible with imports of drill pipe from Argentina and Mexico because: (1) virtually all drill pipe imported from Japan consisted of either mill-finished drill pipe or unfinished heavy-weight drill pipe ("HWDP"), whereas imports of drill pipe from Argentina and Mexico consisted of unfinished standard-weight drill pipe ("SWDP"); (2) the mill-finished Japanese drill pipe included the tool joint which is a high value component; (3) unfinished HWDP is also a higher-priced product than unfinished SWDP from Argentina and Mexico;

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[150] Commissioner Bragg does not join in this section, see Separate and Dissenting Views of Commissioner Lynn M. Bragg.

[151] Institution of Five-Year Reviews Concerning the Countervailing Duty and Antidumping Duty Orders on Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico, 65 Fed. Reg. 41088 (July 3, 2000) (Int'l Trade Comm'n); see also Notice of Initiation of Five-Year ("Sunset") Reviews, 65 Fed. Reg. 41053 (July 3, 2000)(Dep't of Commerce).

[152] CR and PR at Table I-2.

[153] NKK, TAMSA, and Siderca are all members of the Tenaris alliance which has long-term global contracts with large oil and gas companies with operations in the United States.

[154] CR at II-27; PR at II-17.

[155] Original Determinations at I-34-35.

and (4) while both HWDP and SWDP are used in the drill string to drill the well hole, HWDP is designed for use under difficult drilling conditions. By contrast, all drill pipe imports from Argentina and Mexico were unfinished SWDP. Consistent with these product differences, the Commission also found that Japanese drill pipe had significantly higher unit values than drill pipe imports from Argentina and Mexico.[156]

In addition, the Commission found that, because of the differences in product mix, the channels of distribution of Japanese drill pipe differed somewhat from the channels of distribution of the Argentine and Mexican drill pipe. Argentine and Mexican unfinished drill pipe were sold to drill pipe distributors for sales to processors, or directly to processors, whereas mill-finished drill pipe from Japan was typically sold to end-users. Unfinished HWDP from Japan was also sold to drill pipe processors, but was commonly sold to specialized drill pipe distributors and/or processors.[157]

a. Fungibility

As in the original determinations, the record of these reviews shows that Japanese drill pipe would not likely be fungible with imports of drill pipe from Argentina and Mexico. The drill pipe industries in Argentina and Mexico produce only unfinished SWDP; there is no information or argument to suggest that future imports from Argentina or Mexico would consist of anything other than unfinished SWDP.[158] With respect to Japan, the domestic industry argues that the significantly lower average unit values of imports from Japan in 1999 and 2000 indicate that Japan is shipping unfinished SWDP to the United States. However, we have confirmed that 2000 imports from Japan consist almost exclusively of non-subject stainless steel product.[159] The composition of 1999 imports is unclear. Nevertheless, we find it unlikely that Japan would shift its focus from that of the original investigation and ship significant quantities of unfinished SWDP to the United States. Finished drill pipe and HWDP are higher value products, typically generating higher returns. In discussing Japanese drill pipe, a major U.S. drilling contractor referred only to what it considered to be the high quality finished Japanese drill pipe.[160] The record in these reviews does indicate that Japan currently ships unfinished drill pipe to China, where it is combined with tool joints and undergoes processing, transforming the components into finished drill pipe. Because these shipments are to supply a joint venture, however, there is no indication that any significant volume of unfinished drill pipe from Japan would likely be sold in the U.S. market should the order be revoked.[161] Japan has not exported significant volumes of unfinished drill pipe to the U.S. market in at least a decade.[162] Moreover, Grant Prideco, the single largest U.S. purchaser of unfinished drill pipe, recently acquired the capability to captively produce *** of its demand for such pipe, making future significant imports of unfinished drill pipe from Japan or any other subject country unlikely even if the orders are revoked.

b. Channels of Distribution

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[156] Original Determinations at I-35.

[157] Original Determinations at I-35.

[158] CR at II-11 and II-15; PR at II-7 and II-9.

[159] Staff Interview with representative of *** on April 16, 2001.

[160] Tr. at 211-212 (Mr. Orr, representative of Helmerich and Payne); In addition, Mr. Orr stated that Japanese finished drill pipe is known for its high quality, "far superior" to that of Argentine or Mexican drill pipe. Hearing Tr. at 212.

[161] Hearing Tr. at 64 and 131-32 (Mr. Latham).

[162] Original Staff Report at Table F-1. See also, CR at II-13; PR at II-8 (Japan has ceased production of upset-to-grade tubes).

With respect to channels of distribution, drill pipe from Argentina and Mexico, on the one hand, and Japan on the other would likely be destined for different purchasers because of differences in product mix. Argentina and Mexico produce exclusively unfinished drill pipe, which is sold to processors in the United States, either directly or through distributors. Japan, on the other hand, produces exclusively finished pipe, except for HWDP. In the original investigations Japanese producers sold their finished drill pipe directly to end users and their HWDP to specialized distributors or processors.

c. Simultaneous Presence and Sales in Same Geographic Markets

With respect to current and prospective overlap of geographic markets and simultaneous presence, both domestic producers and importers reported that they serve the entire continental United States. Nothing in the record of these reviews suggests that subject imports and the domestic like product would not compete on a nationwide basis if the orders were revoked. In addition, the domestic like product and subject imports from Argentina, Mexico, and Japan have been simultaneously present in the U.S. market during the review period, as in the original investigations.[163]

On balance, we conclude that there would likely be a reasonable overlap of competition among subject imports from Argentina and Mexico and the domestic like product, but, given differences in fungibility and channels of distribution, we find no reasonable overlap of competition between drill pipe imports from Argentina and Mexico, and subject imports from Japan.

3. Other Considerations

We have taken into account other significant conditions of competition that are likely to prevail if the orders are revoked in evaluating whether to cumulate subject imports of drill pipe. We find that subject imports from Argentina and Mexico would likely compete in the U.S. market under similar conditions of competition, discussed below.

Based on the foregoing, we cumulate subject imports of drill pipe from Argentina and Mexico but do not cumulate drill pipe imports from Japan with drill pipe imports from Argentina and Mexico.

B. Conditions of Competition[164]

We find the following conditions of competition specific to the drill pipe industry to be relevant to our determinations.

Data gathered during these reviews indicate that apparent U.S. consumption of drill pipe has grown *** since the period examined in the original investigations, punctuated by periods of *** fluctuation.[165] In 1996, apparent U.S. consumption was *** short tons.[166] By 1998, apparent U.S. consumption had risen to *** short tons and then dropped to *** short tons in 1999. In 2000 U.S. consumption rose to *** short tons.

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[163] However, we note that production and exports of unfinished drill pipe from *** have decreased markedly in recent years, and are likely to be sporadic, since Grant Prideco, the largest potential purchaser of green tubes, has secured green tube supply elsewhere. CR & PR at Tables IV-5 and IV-11; CR at III-19 n.8; PR at III-9 n.8; Domestic Producers' Posthearing Br., attachment G at 3, affidavit of Dan Latham of Grant Prideco ("Grant Prideco is the largest drill pipe manufacturer domestically and in the world").

[164] Commissioner Bragg joins this section of the opinion.

[165] CR at V-35, PR at V-12; CR & PR Table I-2.

[166] CR & PR Table I-2.

Demand for drill pipe, like that for casing and tubing, is based on the number of active rotary or workover rigs drilling for oil and natural gas in the United States, which in turn is dependent upon the prices of oil and natural gas."[167] [168] All demand forecasts for the United States (the largest OCTG market in the world) reviewed by the Commission project growth, usually substantial growth.[169] These forecasts reflect not only the significant increase in operating rigs, but may also reflect the relative shift in drilling from oil to gas, the favorable economics for drilling in harsher, more challenging environments, the need to drill deeper to reach reserves, and technological advances that have increased the use of such techniques as directional drilling.[170] Demand for drill pipe, however, tends to respond less rapidly to changes in the level of demand than other forms of OCTG.[171]

With respect to supply, U.S. mills and processors historically have supplied the largest portion of the U.S. market's drill pipe needs, generally through a limited number of distributors.[172] *** of the U.S. producers and finishers reported that they sold *** percent of their drill pipe to distributors.[173] Drill pipe, both imported and domestic, is distributed primarily through three major distributors in the United States: Pipeco, another independent distributor, and a Japanese trading company. Pipeco stated that it sells drill pipe to drilling companies and rental tool companies, which take advantage of drill pipe's reusability in renting it to both oil companies and drilling contractors.[174]

The domestic drill pipe industry is both more consolidated than the casing and tubing industry and, until recently, more segmented. During the period examined in these reviews, only four mills produced unfinished drill pipe: Timken, Koppel, and, until recently, the U.S. Steel mills at Fairfield and Lorain.[175] None of the mills, however, process unfinished drill pipe into finished (unitized) drill pipe. Three processors reported finishing drill pipe: Grant Prideco,[176] OMSCO, and, beginning in 1998, Texas

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[167] CR at II-17, PR at II-10; see also CR & PR Figures II-2 - II-5.

[168] Based on a comparison of rig counts, demand was far stronger in 2000 (annual rig count of about 925) than during the original period examined (annual rig count of 721 in 1992; 754 in 1993; and 775 in 1994) and nearly as strong as in 1997 (annual rig count of about 950). Compare CR & PR Figure II-2 with Original Staff Report at Figure 1 at II-15.

[169] CR at II-22-24, PR at II-14-15.

[170] CR at II-20 - II-21; PR at II-13 - II-14.

[171] See, e.g., Tr. at 67 (testimony of Mr. Mayse): "We normally lag the market in terms of entering the down cycle and benefitting from the up cycle. Thus, demand for drill pipe has just started turning up after the increased drilling that began in 2000."

[172] As noted in the original determinations, Commissioner Bragg again considered the different categories of drill pipe operations, including processing (toll and non-toll processing, or "finishing") operations and mill operations to be a significant condition of competition for the entire domestic drill pipe industry. Commissioner Bragg notes that OMSCO, Texas Steel Conversion, and Grant Prideco reported domestic toll and non-toll drill pipe processing, and Timken, Koppel, and USX (Fairfax and Lorain plants) reported domestic mill production of unfinished drill pipe. CR & PR at II-1.

[173] CR at I-26; PR at I-20. *** reported selling *** of its drill pipe to end users. Id.

[174] Hearing transcript, pp. 66-67. Grant-Prideco reported that rental tool companies hold inventories of drill pipe, whereas drilling companies purchase drill pipe as a capital good that they plan on reusing for five years. It added that there has been a recent consolidation of the drilling contractor market, with five contractors now controlling 75 percent of operating land rigs. Domestic Producers' Posthearing Br. Attachment G.

[175] CR & PR Table I-3. Timken accounted for *** percent of U.S. mill production in 2000 and Koppel for *** percent. Id. USX-Fairfield has not reported any sales of unfinished drill pipe since ***, while USX-Loraine has not reported any such sales since ***. CR & PR Table III-25.

[176] Grant Prideco is *** U.S. producer of finished drill pipe. CR at II-2; PR at II-1. During the original investigations Grant and Prideco (two separate companies) were the only drill pipe finishers to ***. Original Staff Report at I-21. Since the original determinations, Grant and Prideco have merged into a single company (Grant

Steel.[177] ***, as a processor of unfinished drill pipe, has become the drill pipe industry's low-cost manufacturer through ***.[178]

Since the period examined in the original investigations, imports of drill pipe from nonsubject countries have *** increased in volume and as a share of the market, while imports from subject sources have declined erratically. This reflects at least in part changes in the role of Grant Prideco in the drill pipe market.[179]

Drill pipe is sold in a number of forms: finished and unfinished, standard-weight and heavy-weight. U.S. mills and processors together supply the entire range of drill pipe product. Similarly, Japanese manufacturers and exporters produce and export, or have produced and exported to the United States, unfinished heavy-weight drill pipe, finished standard-weight drill pipe, and *** amounts of unfinished standard-weight drill pipe. Other sources of supply, however, are not as diverse.[180]

In addition to differences in product mix and availability, quality concerns may also limit the interchangeability of drill pipe from different sources. According to one drilling contractor, the quality of unitized drill pipe from Japan is far superior to the drill pipe produced in Argentina, Mexico, or the United States.[181]

Prideco), which has acquired a *** stake in Voest-Alpine, a manufacturer of green tubes in Austria. CR at II-7 n.26, III-19, n.8; PR at II-4 n.26, III-9, n.8. With this new acquisition Grant Prideco is able to captively produce *** of its green tube demand for making finished drill pipe.

[177] CR at I-25 - I-28, II-1; PR at I-19 - I-22, II-1.

[178] CR at II-6 - II-7; PR at II-4.

[179] CR at II-7 n.26, III-5, III-19 n.8; PR at II-4, III-2, PR at III-9, n.8.

[180] Mexican and Argentine manufacturers export only unfinished drill pipe. Tr. at 266 (Mr. Cura).

[181] Tr. at 211-212 (Mr. Orr). Mr. Orr emphasized the benefits of "mill finished" drill pipe. We note, however, that the *** manufacturer of drill pipe in Japan, NKK, has closed its tool joint finishing and welding facility and moved it to a joint venture with Baosteel in China. The drill pipe and tool joints undergo processing in China, transforming the components into finished drill pipe. The availability of mill finished drill pipe from Japan is therefore limited. Tr. at 64 (Mr. Latham) and 131-132 (Mr. Latham).

C. Revocation of the Order on Drill Pipe from Japan Is Likely to Lead to Continuation or Recurrence of Material Injury within a Reasonably Foreseeable Time[182]

We determine that revocation of the antidumping duty order on drill pipe from Japan would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

1. Likely Volume of Subject Imports from Japan[183]

In the original investigations, the Commission determined that the domestic industry was threatened with material injury by reason of subject imports from Japan. The Commission concluded that the volume and U.S. market penetration of imports from Japan was likely to increase to an injurious level. Imports of drill pipe from Japan increased by *** percent in terms of quantity from 1992 to 1994. Market penetration of imports from Japan, by quantity, increased from *** percent of U.S. consumption of drill pipe in 1992 to *** percent in 1994. Market share also increased from *** percent in interim 1994 to *** percent in interim 1995.[184]

After the orders went into effect subject imports from Japan decreased but remained a significant presence in the U.S. market. Imports of Japanese drill pipe were 793 short tons in 1996; 1,346 short tons in 1997; 830 short tons in 1998; 907 short tons in 1999 and rose to 1,353 short tons in 2000.[185] [186] As a percentage of total U.S. consumption, the market share held by subject drill pipe from Japan reached a peak of *** percent in 1994. After the orders went into effect, Japan's market share dropped to *** percent in 1995, but rose to *** percent in 1996 and to *** percent in 1999, before declining to *** percent in 2000.[187] The continuing presence of subject imports from Japan in the U.S. market indicates that Japanese producers would be able to use existing customer contacts to increase sales if the order is revoked.

The original investigations included data from three Japanese producers of drill pipe, Kawasaki, NSC, and NKK, with a combined reported 1994 capacity of *** short tons.[188] In these reviews, the Commission only received a response from NKK, which represents a *** of Japanese drill pipe

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[182] Commissioner Bragg joins this section of the opinion.

[183] Vice Chairman Okun does not join in the discussion of drill pipe from Japan. See Dissenting Views of Vice Chairman Deanna Tanner Okun Regarding Drill Pipe from Japan.

[184] Original Staff Report at Table A-2; See also CR & PR at Table I-2.

[185] CR & PR Table I-2.

[186] NKK reported *** short tons of drill pipe exported to the United States in 2000. CR & PR Table IV-8.

[187] CR & PR Table I-2.

[188] Original Determinations Table E-4; Original Staff Report Table E-4.

production.[189] NKK reported capacity for drill pipe of *** short tons in 2000, down from *** short tons in 1999.[190] NKK's capacity utilization for drill pipe has been high.[191]

The *** year-to-year fluctuations in NKK's reported capacity for drill pipe indicate that it retains significant ability to alter product mix in response to market conditions. The Commission cited this factor with respect to all responding Japanese producers in finding a threat of material injury in the original investigation. NKK's reported production capacity for all seamless pipe was *** short tons in 2000, which is *** U.S. apparent consumption of drill pipe. Thus, only a *** shift of its capacity in favor of drill pipe exports to the United States would have a significant impact on the U.S. market. The drill pipe and overall seamless pipe capacity of the non-responding Japanese producers would add further to the ability of the Japanese industry to ship substantial quantities of drill pipe to the U.S. market.

We believe that NKK and the non-responding Japanese producers would have substantial incentives to dedicate more productive capacity to producing drill pipe for export to the United States. OCTG, particularly drill pipe, is among the highest value pipe and tube products. U.S. prices for drill pipe generally exceed prices in non-U.S. markets.[192] The Japanese industry is export oriented given that there is *** Japanese home market for OCTG. Purchasers' statements suggest that there would be a ready demand in the United States for the high quality Japanese drill pipe.[193]

We therefore find that, in the absence of the orders, the likely volume of drill pipe imports from Japan would be significant, both in absolute terms and as a share of the U.S. market, as it was during the original investigations.[194]

2. Likely Price Effects of Subject Imports from Japan

In the original investigations, the Commission determined that there was a likelihood that subject imports from Japan would enter the United States at prices that would have a depressing or suppressing effect on prices for the domestic like product. The Commission noted that a rapidly growing segment of drill pipe consumption is the market for HWDP. U.S. shipments of HWDP, which are used in such critical applications as directional drilling, increased throughout the period of investigation.[195] U.S. shipments of Japanese HWDP grew at a faster rate than did U.S. shipments of domestic HWDP and

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[189] NKK also reported that Japanese producer Nippon had closed its OCTG producing plant that produced its OCTG for exportation, and that ***. Response to foreign producers' questionnaire, questions III-5 and III-7; NKK Final Comments at 5 n.10.

[190] CR & PR at Table IV-8. *** stated that, prior to 1995, Japanese mills produced upset-to-grade tubes that required only welding to create finished drill pipe. CR at II-13 - II-14; PR at II-8. Although, Japanese mills other than NKK may have ceased production of these tubes, *** estimates that ***, together, have an upset capacity of *** short tons that could be used for exports to the United States if the current orders were revoked. This is equivalent to *** apparent U.S. consumption of drill pipe in 2000. Id.

[191] See NKK Final Comments at 5 ("...operating at full capacity"). NKK's capacity utilization was *** percent in 1995, *** percent in 1996, *** percent in 1997, *** percent in 1998, *** percent in 1999, and *** percent in 2000. CR & PR Table IV-8.

[192] Hearing Tr. at 247 (Mr. Orr).

[193] Affidavit of *** Attachment J to Domestic Producers' Posthearing brief; Tr. at 211-212 (Mr. Orr).

[194] Commissioner Bragg infers that, upon revocation, subject producers from Japan would revert to their historical emphasis on exporting to the United States, as evidenced in the Commission's original determinations. Based upon the record in these grouped reviews, Commissioner Bragg finds that the historical emphasis will likely result in significant volumes of subject imports into the United States if the order on subject imports from Japan is revoked.

[195] Original Determinations at I-40.

captured increasingly large shares of the domestic market between 1992 and 1994 and between interim 1994 and interim 1995.[196] The Commission also noted the *** average unit values of U.S. shipments of Japanese HWDP.[197] The record indicated that Japanese prices *** toward the end of the period of investigation and were *** than U.S. prices in all periods reported. Lastly, the Commission found that there was an overall decline in domestic drill pipe prices from early 1992 to early 1994.[198]

The data indicate that since 1995 domestic prices have been volatile, peaking in 1998 and again in early 1999, then falling in 2000.[199] Other data indicate rising prices in 2000.[200] There were no data on Japanese import prices. Purchasers indicated that price was an important factor in purchasing decisions. While some purchasers perceive Japanese drill pipe as higher quality than U.S. drill pipe, we find that the products are at least moderately substitutable. Thus, Japanese and U.S. drill pipe are likely to compete in the U.S. market on the basis of price.

Given the likely significant volume of Japanese drill pipe imports, the substitutability between the subject imports and the domestic like product, the importance of price in purchasing decisions, the volatile nature of U.S. demand, and the underselling by the subject imports in the original investigations, we find that, in the absence of the order, drill pipe from Japan likely would be priced aggressively in order to gain additional market share.[201] We find that this aggressive pricing behavior likely would have significant depressing or suppressing effects on the prices of the domestic like product.

3. Likely Impact of Subject Imports from Japan[202]

In the original investigations, the Commission determined that the domestic industry was threatened with material injury by reason of subject imports from Japan, as well as from Argentina and Mexico. The Commission found that the domestic drill pipe industry's performance over the period of investigation supported a finding that continued increases in subject imports would have an injurious effect on the domestic industry.

On balance, we find that the domestic industry's condition has improved since the orders went into effect, as reflected in most indicators over the period reviewed. We note the overall industry's positive financial performance since 1995.[203] Moreover, strong demand is likely in the near term. Thus we conclude that the domestic industry is not currently vulnerable.

We determine, however, that revocation of the order on drill pipe from Japan likely would lead to a significant increase in the volume of subject imports which likely would undersell the domestic like product and significantly depress or suppress the domestic industry's prices. The drill pipe market is highly cyclical and producers must be able to earn substantial returns during peak times in order to

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[196] Original Determinations at I-40.

[197] Original Determinations at I-40-41; Original Determinations (confidential) at 276.

[198] Original Determinations at I-41; Original Determinations (confidential) at 276.

[199] CR & PR at Figure V-18.

[200] CR & PR at Table V-16.

[201] Commissioner Bragg infers that, in the event of revocation, subject producers from Japan will revert to aggressive pricing practices in connection with exports of subject merchandise to the United States, as evidenced in the Commission's original determinations.

[202] As set forth in her Separate and Dissenting Views, Commissioner Bragg has placed particular emphasis on the condition of domestic mills in assessing whether revocation of the antidumping duty order on drill pipe from Japan is likely to lead to the continuation or recurrence of material injury to the domestic drill pipe industry.

[203] See generally, CR & PR Tables III-22 - III-31.

survive the low points of the cycle.[204] A significant increase in subject imports is likely to have negative effects on both the price and volume of the domestic producers' shipments. Imports from Japan are likely to consist of both finished drill pipe and unfinished HWDP, and thus would have an impact both on domestic mills (HWDP) and on domestic finishers (finished drill pipe).

We find that these developments likely would have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. This reduction in the industry's production, shipments, sales, market share, and revenues would result in erosion of the industry's profitability as well as its ability to raise capital and make and maintain necessary capital investments.

D. Revocation of the Orders on Drill Pipe from Argentina and Mexico Is Not Likely to Lead to Continuation or Recurrence of Material Injury within a Reasonable Foreseeable Time[205] [206]

We determine that revocation of the antidumping duty orders on drill pipe from Argentina and Mexico would not be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

1. Likely Volume of Cumulated Subject Imports from Argentina and Mexico

In the original determinations, the Commission found that the domestic industry was threatened with material injury by reason of cumulated subject imports from Argentina and Mexico. It found that the volume and market penetration of drill pipe from Argentina and Mexico increased significantly. The quantity of cumulated subject imports increased from *** short tons in 1992 to *** short tons in 1994. Market penetration of cumulated imports from Argentina and Mexico measured in terms of quantity increased from *** percent of U.S. consumption of drill pipe in 1992 to *** percent in 1994, but decreased from *** percent in interim 1994 to *** percent in interim 1995.[207]

As in the original investigations, producers in Argentina[208] and Mexico[209] produced exclusively unfinished drill pipe during the review period. Their combined capacity to produce drill pipe has declined significantly since the original investigation, from *** short tons in 1994 to *** short tons in

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[204] Moreover, the domestic market for drill pipe is characterized by volatile swings in demand which can make projections of future demand less reliable.

[205] Commissioner Bragg dissenting. See Separate and Dissenting Views of Commissioner Lynn M. Bragg.

[206] Commissioner Devaney dissenting.

[207] Original Determinations at I-38; Original Determinations (confidential) at 61.

[208] The original investigations listed one Argentine producer of SWDP, Siderca, having a 1994 capacity of *** tons of drill pipe. Original Staff Report at I-37 and Table E-1. In these reviews, Siderca reported that its capacity utilization rates for drill pipe were *** percent in 1995, *** percent in 1996, *** percent in 1997, and *** percent in 1998, but fell to *** percent in 1999. The respondent's capacity utilization rate rose thereafter to *** percent in 2000. Siderca's production capacity for drill pipe was *** short tons in 2000. CR & PR at Table IV-5.

[209] The original investigations listed one Mexican producer of SWDP, TAMSA, with a 1994 capacity of *** short tons of drill pipe. Original Staff Report at I-43 and E-5. In these reviews, TAMSA reported capacity of *** short tons in 2000, up from *** short tons in 1999. TAMSA's capacity utilization rates for drill pipe were *** percent in 1995, *** percent in 1996, *** percent in 1997, *** percent in 1998, *** percent in 1999, and *** percent in 2000. CR & PR at Table IV-11.

2000. Both Argentina and Mexico reported high capacity utilization rates for drill pipe.[210] Argentine and Mexican respondents reported no drill pipe exports to the United States since 1995.[211] Argentina and Mexico's high capacity utilization rates for drill pipe, combined with a diminished customer base in the United States, make it unlikely that subject producers will shift production toward drill pipe and resume exporting to the U.S. market. Thus, we find it unlikely that Argentine and Mexican producers would shift production from other OCTG products to drill pipe for export to the United States, despite substantial capacity to produce other products on the same equipment, given changes that have occurred in the U.S. market.

As noted above, in the original investigations, as now, Argentina and Mexico produced exclusively unfinished drill pipe. During the original period of investigation, *** purchased green tubes from Argentina and Mexico.[212] During the review period, however, Grant Prideco, which produces over *** percent of finished drill pipe in the United States, acquired a captive source of green tubes through its acquisition of Voest-Alpine in Austria. Moreover, no other importer, finisher, or distributor reported purchasing significant quantities of green tube from Argentina or Mexico during the period of review.[213] We therefore find it unlikely that imports of drill pipe from Argentina and Mexico would return to the U.S. market in significant quantities if the orders are revoked.

Therefore, based on the record in these reviews, we find that the likely volume of subject drill pipe imports from Argentina and Mexico would not be significant if the orders were revoked.

2. Likely Price Effects of Subject Imports from Argentina and Mexico

In the original investigations, the Commission found that it was likely that the subject imports would enter the United States at prices that would have a depressing or suppressing effect on domestic prices. The record indicated that Argentine and Mexican drill pipe prices *** and ***,[214] although Argentine and Mexican prices were lower than domestic prices in only two of nine total comparisons.[215] The average unit values of imports of drill pipe from Argentina and Mexico *** throughout the period 1992 through 1994, as did the average unit values of U.S. shipments of drill pipe from Argentina and Mexico.[216] Domestic drill pipe prices *** overall when comparing the last quarter reported to the first quarter.[217]

There is virtually no recent price data for unfinished drill pipe. We note, however, that the average unit value of U.S. mills' U.S. shipments *** between 1995 and 2000, increasing by *** percent overall, despite *** in domestic volume and the entry of a significant source of nonsubject imports.[218]

Given that the likely volume of drill pipe from Argentina and Mexico would not be significant upon revocation, any such imports are not likely to have significant negative price effects. Consequently,

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[210] CR & PR Tables IV-5 and IV-11. Moreover, Argentine and Mexican producers' end of period inventories of drill pipe were only *** short tons in 2000.

[211] Official import statistics, however, show that the combined volume of subject imports from Argentina and Mexico was 6,845 short tons in 1997, 177 short tons in 1998, 163 short tons in 1999, and 265 short tons in 2000. These figures may include non-subject merchandise or subject product other than drill pipe. CR & PR at Table IV-2.

[212] Original Staff Report at I-21.

[213] *** in 2000. CR at III-5; PR at III-2.

[214] Original Determinations at I-39; Original Determinations (confidential) at 64.

[215] Original Staff Report Table 46. In both instances of underselling, margins were ***. Id.

[216] Original Determinations at I-39; Original Determinations (confidential) at 64.

[217] Original Determinations at I-39; Original Determinations (confidential) at 64.

[218] CR & PR Table C-2.

we do not find that removal of the orders on subject merchandise from Argentina and Mexico would likely have a significant depressing or suppressing effect on prices for the domestic like product.

3. Likely Impact of Subject Imports from Argentina and Mexico

In the original investigations the Commission determined that there was likely to be material injury by reason of subject imports from Argentina and Mexico. The domestic drill pipe industry's performance was characterized by a significantly declining share of domestic consumption, low capacity utilization rates, and fluctuating, inconsistent, but profitable financial performance. These trends, in addition to the increasing dominance of the market by LTFV imports, indicated to the Commission that continued increases in subject import penetration would have an injurious effect on the domestic industry.[219] Therefore, the Commission found that the threat of material injury was real and that actual injury was imminent by reason of imports of drill pipe from Argentina and Mexico.

As noted above, we conclude that the U.S. drill pipe industry is not vulnerable.[220] In addition, we find that, upon revocation of the orders, subject imports from Argentina and Mexico would not have a significant negative impact on the domestic industry given the likelihood that subject imports will not return to the U.S. market in significant volume in the reasonably foreseeable future and will not have significant adverse price effects.

In addition, any imports of drill pipe from Argentina and Mexico would be unfinished drill pipe, which could potentially affect U.S. mills (which produce unfinished drill pipe) but are unlikely to adversely affect drill pipe processors (which produced finished drill pipe). The value of processors' sales of finished drill pipe greatly exceeds the value of the mills' sales of unfinished drill pipe.[221] Moreover, processors account for the vast majority of employees in the drill pipe industry.[222] Given our findings regarding likely volume and price effects, and considering all relevant economic factors that are likely to have a bearing on the state of the domestic industry, we do not find it likely that revocation of the subject orders on drill pipe from Argentina and Mexico would have a significant adverse impact on the domestic industry as a whole within a reasonably foreseeable time.

VI. CONCLUSIONS

For the foregoing reasons, we determine that revocation of the antidumping duty orders on casing and tubing from Argentina, Italy, Japan, Korea and Mexico and the countervailing duty order on casing and tubing from Italy would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. We further determine that revocation of the antidumping duty order on drill pipe from Japan would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time,[223] and that revocation of the antidumping duty orders on drill pipe from Argentina and Mexico would not be likely to lead to

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[219] See Original Determinations at I-39 and I-20.

[220] For Vice Chairman Okun's discussion of vulnerability, see Dissenting Views of Vice Chairman Deanna Tanner Okun Regarding Drill Pipe from Japan.

[221] Compare CR & PR at Table III-23 (mills' net sales in 2000 were ***) with Table III-26 (processors' non-toll net sales of drill pipe were ***).

[222] Compare CR & PR at Table C-2 with C-4 (in 2000, mills reported *** workers, and non-toll processors reported *** workers).

[223] Vice Chairman Deanna Tanner Okun dissenting.

continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.[224]

[224] Commissioners Bragg and Devaney dissenting.

SEPARATE AND DISSENTING VIEWS OF COMMISSIONER LYNN M. BRAGG

Oil Country Tubular Goods from Argentina, Italy, Japan, Korea, and Mexico
Inv. Nos. 701-TA-364 (Review) and 731-TA-711 and 713-716 (Review)

Based upon the record in these reviews, I join the Commission majority in finding that, under section 751(c) of the Tariff Act of 1930, as amended, revocation of the antidumping and countervailing duty orders on OCTG excluding drill pipe ("casing and tubing") from Argentina, Italy, Japan, Korea, and Mexico would likely lead to the continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. Because my cumulation analysis with respect to the orders on casing and tubing from the subject countries differs from that of my colleagues, I provide the following separate views.

I also join the Commission majority in finding that revocation of the antidumping duty order on drill pipe from Japan would likely lead to the continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. However, I dissent from the majority's finding that revocation of the orders with respect to drill pipe from Argentina and Mexico is not likely to lead to the continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. I therefore provide the following dissenting views regarding revocation of the antidumping duty orders on drill pipe from Argentina and Mexico.

I. CASING AND TUBING

A. CUMULATION ANALYTICAL FRAMEWORK

I have previously described the analytical framework that I employ to assess cumulation in the context of grouped sunset reviews.[1] The sequence of my analysis differs from that of my colleagues in that I first assess whether there is likely to be a reasonable overlap of competition in the event of revocation, before addressing whether revocation of any of the orders would be likely to have no discernible adverse impact on the domestic industry.

B. REASONABLE OVERLAP OF COMPETITION

In the original investigations, the Commission determined that there was a reasonable overlap of competition between subject imports from Argentina, Italy, Japan, Korea, and Mexico and the domestic like product, as well as among subject imports from each of the subject countries.[2] The record in these

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[1] See Separate Views of Chairman Lynn M. Bragg Regarding Cumulation in Sunset Reviews, Potassium Permanganate from China and Spain, Inv. Nos. 731-TA-125-126 (Review), USITC Pub. 3245 (Oct. 1999) at 27-30. See also, Separate Views of Chairman Lynn M. Bragg Regarding Cumulation, Brass Sheet and Strip from Brazil, Canada, France, Germany, Italy, Japan, Korea, the Netherlands, and Sweden, Inv. Nos. 701-TA-269-270 (Review) and 731-TA-311-317 and 379-380 (Review), USITC Pub. 3290 (Mar. 2000) at 27-32; Separate and Dissenting Views of Commissioner Lynn M. Bragg, Certain Pipe and Tube from Argentina, Brazil, Canada, India, Korea, Mexico, Singapore, Taiwan, Thailand, Turkey, and Venezuela, Inv. Nos. 701-TA-253 (Review) and 731-TA-132, 252, 271, 273, 276, 277, 296, 409, 410, 532-534, 536, and 537 (Review), USITC Pub. 3316 (July 2000) at 79-86.

[2] Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Inv. Nos. 701-TA-363 and 364 (Final) and 731-TA-711-717 (Final), USITC Pub. 2911 (Aug. 1995)("Original Determinations") at I-24.

reviews continues to support this finding of a reasonable overlap of competition. Subject imports from each of the subject countries are likely to: (1) be fungible;[3] (2) sold or offered for sale in the same geographical markets;[4] (3) share similar channels of distribution;[5] and (4) be simultaneously present in the U.S. market.[6] Having found a likely reasonable overlap of competition in the event of revocation, I next address the issue of likely no discernible adverse impact.

C. LIKELY NO DISCERNIBLE ADVERSE IMPACT

Producers in each of the subject countries are export-oriented with *** home market and maintain existing, viable channels of distribution in the United States.[7] In addition, casing and tubing prices are generally higher in the United States than elsewhere.[8] The record also indicates that the volume of subject imports from Argentina, Italy, Japan, Korea, and Mexico was *** during the period of review, as compared to pre-order levels, thus evidencing the restraining effects of the orders.[9] Subject producers in Argentina and Mexico currently possess excess capacity and inventories which, individually, are equivalent to approximately *** percent of domestic production in 2000.[10]

I also find that although the Italian subject producer operates at near peak capacity, this producer has the ability to shift from the production of non-subject pipe products to the production of subject casing and tubing products.[11] And, because casing and tubing is generally a higher-valued product than other non-subject pipe products, revocation of the order on Italy would provide the Italian producer with the incentive to shift production.[12]

Regarding Japan, I note that Japanese subject producers have tremendous production capacity for casing and tubing products.[13] I also note that the Japanese industry's capacity utilization is unclear, given that only one Japanese producer representing only *** percent of the Japanese industry provided such data to the Commission.[14] Japanese producers also have the ability to shift from the production of non-subject merchandise to the production of subject casing and tubing products and would have the same incentive to do so as the Italian industry.[15]

With respect to Korea, the record indicates that the United States is currently the Korean subject producers' *** market, given that over *** percent of total Korean casing and tubing production is currently shipped to the United States.[16] In addition, Korean producers are currently operating at

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[3] Confidential Report, as revised by memorandum INV-Y-115 ("CR") at II-27-30, Public Report ("PR") at II-17-19.

[4] CR at II-5-6, PR at II-4.

[5] CR at II-2-4, PR at II-1-3.

[6] CR & PR at Table I-1; CR at II-2-4, PR at II-1-3.

[7] CR at IV-4-6, PR at IV-6-8; CR & PR Tables IV-4, 6, 7, 9 & 10.

[8] CR at V-2-5, PR at V-4; CR & PR at Tables V-1-8; Hearing Transcript ("Tr.") at 56-58 & 247.

[9] CR & PR at Table I-1.

[10] CR & PR at Tables IV-4 & IV-10.

[11] CR & PR at Table C-10; CR at II-9 & 11-12, PR at II-6-8; Dalmine's Final Comments at 4.

[12] CR II-9, PR at II-6; Tr. at 161 & 165-166.

[13] CR & PR at Table IV-7; CR at II-13 & IV-4, PR at II-8 & IV-6.

[14] CR at IV-4, PR at IV-6.

[15] CR & PR at Table C-11.

[16] CR & PR at Table IV-9.

relatively *** capacity utilization levels.[17] It is therefore apparent that in the event of revocation Korean subject producers would have the ability to significantly increase the volume of exports to their *** market, the United States.[18]

Accordingly, I find that revocation of the antidumping and countervailing duty orders covering casing and tubing from Argentina, Italy, Japan, Korea, and Mexico, individually, is likely to have a discernible adverse impact on the domestic industry. I therefore cumulate the likely volume and price effects of subject casing and tubing imports from Argentina, Italy, Japan, Korea, and Mexico.[19]

II. DRILL PIPE

As discussed above, because I render affirmative determinations with respect to the orders covering drill pipe from Argentina and Mexico, I provide these dissenting views. I again note that I join the Commission majority's findings and discussion with respect to revocation of the order covering drill pipe from Japan.[20]

A. CUMULATION

1. REASONABLE OVERLAP OF COMPETITION

In the original investigations, I determined that there was a reasonable overlap of competition between subject imports from Argentina and Mexico and the domestic like product, as well as among subject imports from Argentina and Mexico.[21] However, with respect to Japan, I found that although there was a reasonable overlap in competition between subject imports from Japan and the domestic like product, no reasonable overlap of competition was present between subject imports from Japan and subject imports from Argentina and Mexico. The record in these reviews continues to support those findings.

Subject imports from Argentina and Mexico and the domestic like product are likely to be fungible,[22] sold in similar channels of distribution,[23] simultaneously present in the U.S. market,[24] and sold in the same geographical markets.[25] Having found a likely reasonable overlap of competition in the event of revocation regarding subject imports from Argentina and Mexico, I therefore address the issue of no likely discernible adverse impact regarding these two countries below.

With respect to Japan, the record indicates, as it did in the original investigations, that Japan mainly produces finished standard and unfinished heavy-weight drill pipe of a far greater value than

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[17] CR at II-14, PR at II-8.
[18] CR & PR Table IV-9.
[19] See Commission majority discussion *infra* Sections IV.B & C, which I join.
[20] See Commission majority discussion *infra* Sections V.B & C, which I join.
[21] Original Determinations at I-78-79. (The Commission likewise found a reasonable overlap of competition for Argentine, Mexican, and domestic product. Original Determinations at I-34-35).
[22] CR at I-26, PR at I-20 .
[23] Tr. at 212, 265-66; CR II-11 & 15, PR at II-7 & 9.
[24] Siderca Prehearing Brief at 18; CR at II-4, PR at II-3.
[25] CR at II-4-5, PR at II-3-4.

subject merchandise produced by Argentina and Mexico (Argentina and Mexico produce only unfinished standard drill pipe).[26] In addition, the record indicates that, in the event of revocation, Japan would likely distribute its products in the U.S. market primarily to end-users and not distributors.[27] In contrast, Argentine and Mexican producers are likely to sell primarily to distributors and/or processors.[28] I therefore find, as I did in the original investigations, that while there is a likely reasonable overlap of competition between subject imports from Argentina and Mexico, there is no likely reasonable overlap of competition among the subject imports from Argentina and Mexico and the subject imports from Japan.[29] Accordingly, I find that only subject imports from Argentina and Mexico are potentially amenable to cumulation.

2. LIKELY NO DISCERNIBLE ADVERSE IMPACT

During the period reviewed, the volume of subject imports from Argentina and Mexico, individually, was ***, as compared to pre-order levels, thus evidencing the restraining effects of the orders.[30] Looking forward, the record indicates that although the Argentine and Mexican producers are currently operating at *** capacity, producers in these countries are *** export-oriented with *** home market;[31] maintain existing, viable channels of distribution in the U.S. market;[32] and possess considerable total overall production capacity.[33] Moreover, the formation of Tenaris (the parent company of subject producers in each of the subject countries) enables these related subject producers to rationalize global production to increase subject exports to the United States.[34] I also find that drill pipe prices are generally higher in the United States than elsewhere,[35] thus providing an incentive for subject producers to redirect shipments from third-country markets to the United States.

Based upon the foregoing, I find that revocation of the antidumping duty orders covering drill pipe from Argentina and Mexico, individually, is likely to have a discernible adverse impact on the domestic industry. I therefore cumulate the likely volume and price effects of subject imports from Argentina and Mexico.

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[26] CR at II-11 & 15, PR at II-7 & 9.

[27] CR at II-13-14, PR at II-8; Original Determinations at I-35.

[28] CR at II-11 & 15, PR at II-7 & 9; Original Determinations at I-35.

[29] CR at II-29-30, PR at II-18-19.

[30] CR & PR at Tables C-2 & IV-2.

[31] CR & PR at Table IV-5.

[32] CR at II-2-4, PR at II-1-3.

[33] CR & PR at Tables C-9 & 13. I note that Argentine and Mexican capacity to produce the subject product has decreased during the period reviewed, but was *** larger as recently as 1997 and 1998. Should the orders be revoked capacity would likely revert to the 1997-1998 levels.

[34] CR at II-9-13 & 15, PR at II-6-9.

[35] CR at V-4-5, PR at V-4; Tr. at 56-58 & 247.

B. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME IF THE ORDERS ON SUBJECT IMPORTS FROM ARGENTINA AND MEXICO ARE REVOKED

1. CONDITIONS OF COMPETITION

In assessing the likelihood of continuation or recurrence of material injury upon revocation of the orders, I have considered the same conditions of competition discussed in the Commission majority's views.[36] In addition, I first note that subject imports from Japan would likely compete in the U.S. market under similar conditions of competition. Second, as I did in the original determinations, I believe it is appropriate to take into account the greater vulnerability of domestic mills, as compared to domestic processors, when examining the likely adverse effects of subject imports on the domestic drill pipe industry.[37] Thus, while considering the data for the entire domestic industry, I have placed particular emphasis on the condition of domestic mills in assessing whether revocation of the antidumping duty orders on drill pipe from Argentina and Mexico is likely to lead to the continuation or recurrence of material injury to the domestic drill pipe industry as a whole.[38]

2. LIKELY VOLUME

Revocation of the orders concerning drill pipe from Argentina and Mexico, cumulatively, would likely result in significant volumes of subject imports within a reasonably foreseeable time. First, even with the restraining effect of the orders reducing the subject imports, Mexico and Argentina have maintained a share of the U.S. market.[39] Second, subject producers in each of the subject countries have the ability to shift from the production of non-subject pipe products to the production of drill pipe.[40] Third, subject producers in Argentina and Mexico possess drill pipe inventories available for immediate sale.[41] Fourth, subject producers in Argentina and Mexico are export-oriented and therefore have the ability to re-direct shipments from third-country markets to the United States.[42] And fifth, given that drill pipe prices are generally higher in the United States than elsewhere, subject producers would have the incentive to target their sales to the U.S. market. I therefore find that the cumulated volume of subject imports from Argentina and Mexico would likely be significant in the event of revocation.

3. LIKELY PRICE EFFECTS

The evidence of price comparisons and price trends in these reviews is mixed, at best. In the original investigations, Argentine and Mexican drill pipe prices ***, ***, and domestic drill pipe prices *** overall when comparing quarters.[43] During the period of review, the Commission received minimal subject import pricing data. Nonetheless, the data collected evidence underselling by Argentine and

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[36] See Commission majority discussion *infra* Section V.B, which I join.
[37] Original Determinations at I-78-79.
[38] Original Determinations at I-14 n.66.
[39] CR & CR at Table C-2.
[40] CR & PR at Tables C-9 & 13.
[41] CR & PR at Tables IV-5 & 11.
[42] Id.
[43] Original Determinations at I-39; Original Determinations (confidential) at 64.

Mexican subject imports.[44] In addition, although the record contains evidence that Grant Prideco, the largest processor of domestic drill pipe, has the ability to set market prices,[45] on balance, the record supports the finding that the industry as a whole, both mill producers and processors, would be subject to the effect of aggressively priced drill pipe from Argentina and Mexico. Furthermore, the importance of the U.S. market and the fact that drill pipe prices are generally higher in the United States than elsewhere, indicate that subject producers are likely to have both the ability and incentive to price aggressively in the U.S. market to regain market share. Therefore, if the orders were revoked, subject imports would be likely to significantly undercut the prices of the domestic like product for the domestic industry as a whole, resulting in significant negative price effects.

4. LIKELY IMPACT

The record first indicates that the domestic drill pipe industry, although not currently vulnerable, is susceptible to unfairly dumped subject imports, especially the mill producers, as exhibited by *** capacity utilization, increasing inventories, *** performance, and fluctuating market share even during the most recent peak of oil and gas prices.[46] Second, like the domestic casing and tubing industry, the domestic drill pipe industry also reported *** swings in operating results.[47] Profitability peaked in 1998 with an overall operating margin *** the operating margin for casing and tubing, which was largely driven by the *** operating margins of drill pipe processors than margins reported by drill pipe mills.[48] Indeed, notwithstanding the recent upturn, the entire domestic industry is far from returning to the levels of performance evidenced prior to the 1999 collapse in apparent U.S. consumption. Third, the presence of subject imports from Japan that would likely compete in the U.S. market further intensifies the likely adverse impact of the subject imports from Argentina and Mexico.

I therefore find that, as a result of revocation of the orders on drill pipe from Argentina and Mexico, the likely significant volume of subject imports would likely create significant negative price effects in the U.S. market and would also likely cause a significant adverse impact on the domestic drill pipe industry's production, shipments, sales, market share, revenues, and overall financial performance.

C. CONCLUSION

Based on the foregoing analysis, I determine that revocation of the orders on drill pipe from Argentina and Mexico, considered cumulatively, would be likely to lead to the continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

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[44] CR & PR at Table V-14 (containing three quarters of comparative subject import data, in which two of the three subject import products undersold the domestic drill pipe by *** and *** per ton, and one example of overselling by only *** per ton).

[45] Siderca SAIC Prehearing Brief at Exhibit 5 (citing a study by Raymond James & Associates, Grant Prideco, Inc.: The World Leader In Oilfield Tubulars, (Dec. 2000)) at 4, 9.

[46] CR & PR at Tables III-22 & 23.

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

[48] CR & PR at Tables III-22, 23, 26; CR at III-41 n.13, PR at III-12 n.13.

DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN REGARDING DRILL PIPE FROM JAPAN

I. Introduction

Based on the record in this five-year review, I determine that revocation of the order covering imports of drill pipe from Japan would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. Therefore, I respectfully dissent from the Commission's determination with regard to such imports. While I join the Commission's determinations with regard to background, legal standards, like product, the domestic industry, cumulation, conditions of competition, casing and tubing, and drill pipe from Argentina and Mexico, I write to explain why revocation of the subject order on drill pipe from Japan would not be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

II. Cumulation

I concur with the Commission's finding that it is not likely that subject imports of drill pipe from Japan will have no discernible adverse impact on the domestic industry, if the order is revoked. I also concur with the Commission's finding that there is not likely to be a reasonable overlap of competition between subject imports of drill pipe from Japan and subject imports of drill pipe from Argentina and Mexico, if the orders are revoked. Accordingly, I do not cumulate imports of drill pipe from Japan with imports of drill pipe from Argentina and Mexico in my analysis.

III. Revocation of the Order on Drill Pipe from Japan Is Not Likely To Lead To Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time

A. Conditions of Competition

I concur with the general discussion of conditions of competition presented in the views of the Commission majority. The conditions of competition described below were particularly relevant to my analysis.

Oil and gas drilling activity is the principal determinant of demand for drill pipe in the U.S. market. Although demand has fluctuated over the period examined in these reviews, all demand forecasts for the United States (the largest OCTG market in the world) reviewed by the Commission project growth, usually substantial.[1] These forecasts reflect not only the significant increase in operating rigs, but may also reflect the relative shift in drilling from oil to gas, the favorable economics for drilling in harsher, more challenging environments, the need to drill deeper to reach reserves, and technological advances that have increased the use of such techniques as directional drilling.[2] Demand for drill pipe tends to lag actual market conditions, however, in part because of the nature of the product as a reusable tool and in part because of the long lead times associated with the production of finished drill pipe.

[1] CR at II-24, PR at II-15. *See also* TAMSA Posthearing Brief at exhibit 2.

[2] CR at II-20-22, PR at II-13-14; CR at I-22 and n.11, PR at I-18 and n.11.

The primary source of drill pipe supply in the U.S. market is the domestic industry. U.S. mills provide unfinished drill pipe, while U.S. processors provide finished drill pipe. In 2000, only two U.S. mills produced and sold unfinished drill pipe, Timken and Koppel.[3] The processing portion of the drill pipe industry is similarly concentrated, consisting of three firms -- Grant Prideco, OMSCO, and Texas Steel Conversion -- in 2000.[4] Drill pipe is also available from foreign sources, including the subject countries as well as the Commonwealth of Independent States (C.I.S.), France, India, China, the United Kingdom, and Romania.[5] In addition, Austria is becoming an increasingly important source of unfinished drill pipe, in light of Grant Prideco's ownership position in Voest-Alpine of Austria, with which Grant Prideco has entered a 4-year supply agreement providing for *** of the processor's drill pipe needs.[6]

The substitutability of drill pipe from different sources is limited by typical product mix and production capabilities (including finish and wall thickness/weight). The domestic industry produces drill pipe in finished and unfinished forms, and in standard-weight and heavy-weight configurations. Drill pipe from other sources is more limited. Japanese mills have typically provided finished standard-weight and unfinished heavy-weight drill pipe. Japanese mills supplied a minor amount of unfinished drill pipe to the U.S. market during 1992-94 but, as noted by ***, Japanese mills have ceased production of upset-to-grade (drill pipe) tubes.[7] The industries in Argentina and Mexico, on the other hand, supply unfinished standard-weight drill pipe only.[8]

Finally, it is worth noting the significant changes in the overall competitive environment for drill pipe. Since the period examined in the original investigations, Grant and Prideco have merged to form Grant Prideco, and have engaged in a series of acquisitions of manufacturers of drill pipe, drill stem, and other oilfield products around the world.[9] Indeed, Grant Prideco is self-described as the world's largest manufacturer and supplier of oilfield drill pipe and other drill stem products and as the price leader in the U.S. market.[10] As a result of its consolidation and acquisitions, Grant Prideco is characterized as the drill

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[3] Table I-3, CR at I-28, PR at I-22. Timken accounted for *** percent of U.S. mill production in 2000 and Koppel for *** percent. *Id*. USX-Fairfield has not reported any sales of unfinished drill pipe since ***, while USX-Loraine has not reported any such sales since ***. Table III-25, CR at III-37, PR at III-11.

[4] Tables III-28 and III-31, CR at III-42 and III-45, PR at III-12. Grant Prideco is the dominant source of domestic supply, accounting for at least *** percent of capacity (CR at II-1, PR at II-1) and more than *** percent of non-toll processing during the period 1995-2000 (Table III-28, CR at III-42, PR at III-12).

[5] CR at II-16, PR at II-9-10.

[6] CR at II-7 n.26, III-5, and III-19 n.8, PR at II-4 n.26, III-2, and III-9 n.8.

[7] CR at II-13, PR at II-8.

[8] CR at II-11 and II-15, PR at II-7 and II-9.

[9] Important acquisitions include drill pipe/drill stem producers Drill Tube International, Drill Pipe Industries, and H-Tech of Singapore; green tube producer Voest-Alpine of Austria, and tool joint manufacturer T.F. de Mexico, formerly owned by ***. Grant Prideco: The World Leader in Oilfield Tubulars, by J. Marshal Adkins and John M. Tasdemir (Raymond James & Associates, Inc., St. Petersburg, FL, Dec. 19, 2000) at 7. This publication appears in Siderca's public prehearing brief at exhibit 5.

[10] CR at III-19 n.8 and II-2, PR at III-9 n.8 and II-1. *** amplified that Grant Prideco was the *worldwide* price leader for finished drill pipe. CR at II-2, PR at II-1. This view is shared by market analysts at Raymond James, which cite Grant Prideco's dominant market position (in terms of share of worldwide capacity and sales) as the reason for its "considerable pricing leverage." Grant Prideco: The World Leader in Oilfield Tubulars at 9.

pipe industry's "low-cost manufacturer," with a "30-60 percent cost advantage over its competitors" and "huge" barriers to entry as a result of its vertical integration.[11]

I find that these conditions of competition are likely to prevail for the reasonably foreseeable future and thus provide an adequate basis by which to assess the likely effects of revocation within a reasonably foreseeable time.

B. Likely Volume, Price Effects, and Impact of Subject Imports of Drill Pipe from Japan

1. Likely Volume of Subject Imports of Drill Pipe from Japan

The quantity of drill pipe imports from Japan was *** short tons in 1992, then increased to *** short tons in 1993, and to *** short tons in 1994. Drill pipe from Japan accounted for *** percent of apparent U.S. consumption in 1992, *** percent in 1993, and *** percent in 1994.[12] The Commission's prior threat of injury determination with respect to Japan concluded that the volume and U.S. market penetration of the Japanese imports was likely to increase to an injurious level, noting the unused capacity of the Japanese industry, the ability of Japanese manufacturers to alter their product mix, and the inventories of drill pipe held by Japanese manufacturers.[13]

Since reaching their peak in 1994, subject drill pipe imports from Japan have fluctuated at lower levels. Since the subject order entered into effect, one of the three identified manufacturers of drill pipe in Japan -- Nippon Steel -- has closed its production facility,[14] while a second -- NKK -- has closed its tool joint finishing and welding facility and moved it to a joint venture with Baosteel in China.[15] Therefore, although the reduction in subject imports of drill pipe from Japan reflects *among other things* the imposition of the antidumping duty order in 1995, I do not find that the likely volume of subject imports of drill pipe from Japan would be significant if the order were revoked.

First, NKK Tubes, which reportedly represents nearly *** of Japanese drill pipe production,[16] reported virtually no existing unused production capacity allocated to drill pipe and no plans to increase drill pipe production.[17] Capacity for NKK Tubes was *** short tons in 2000, down from *** short tons

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[11] Grant Prideco: The World Leader in Oilfield Tubulars at 5. Grant Prideco's primary competitors are identified as U.S. and U.K. producer OMSCO and French producer IDPA. *Id* at 9.

[12] *Original Report (Confidential)* at Table A-2, p. A-7.

[13] *Original Views (Confidential)* at 66, 68. *Original Determinations (Public)* at I-40-41.

[14] CR at II-13, PR at II-8.

[15] Hearing Transcript at 64 (Mr. Latham) and 131-132 (Mr. Latham). The drill pipe and tool joints undergo processing in China, transforming the components into finished drill pipe. The availability of mill finished drill pipe from Japan is therefore more limited than during the period examined in the original investigations.

[16] CR at IV-4, PR at IV-6.

[17] Posthearing Brief of NKK Tubes at 5 and Q-4.

in 1998.[18] In 2000, NKK Tubes operated at *** percent capacity utilization, with *** short tons of allocated capacity available for the production of additional volumes of drill pipe.[19]

Second, the subject producers do not maintain inventories of drill pipe that could be used to increase market share in the United States significantly. NKK Tubes reported *** inventories of the subject merchandise, nor does the record suggest any significant likely increases in inventories of drill pipe. There were *** inventories of drill pipe from Japan reported by any U.S. importer.[20]

Third, the record contains no indication of any formal barriers to the importation of the subject merchandise into countries other than the United States.[21]

Fourth, I do not find that there is a significant potential for product-shifting by Japanese manufacturers in favor of increased production of drill pipe. The record indicates that drill pipe represents a small portion of the overall product mix manufactured on the equipment used to produce OCTG in Japan. Thus, Japanese manufacturers are not dependent upon the production and sale of significant volumes of drill pipe to sustain high levels of capacity utilization.[22] Therefore, I do not find a likelihood of significant product shifting in favor of drill pipe production within a reasonably foreseeable time.

I also have examined the issue of whether Japanese manufacturers would shift drill pipe exports from other markets to the United States if the order were revoked. Japanese manufacturers export a substantial portion of their production, thus presenting at least the possibility that they could shift drill pipe exports to the U.S. market. Drill pipe prices are reportedly higher in the United States than outside the United States.[23] Evidence suggests, however, that the price differential is not substantial, especially for *** drill pipe.[24] Thus, while the existence of a price differential between drill pipe sales in the United States and drill pipe sales in other markets may result in moderate shifting in favor of increased exports to the U.S. market, any such shift is not likely to be significant.

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[18] Capacity for the Japanese drill pipe industry as a whole in 1994 was *** short tons, but was projected to decline by about *** by 1996. This figure included Kawasaki, the only producer of heavy-weight drill pipe in Japan, and Nippon Steel, no longer believed to be producing OCTG for export. *See Original Report (Confidential)* at Table E-3, page E-4.

[19] Table IV-8, CR at IV-16, PR at IV-7. *See also* questionnaire response of NKK Tubes at 5.

[20] CR at IV-1, PR at IV-1. I note, however, that the Japanese industry as formerly configured did maintain inventories of drill pipe. *See Original Report (Confidential)* at Table E-3, page E-4.

[21] With respect to informal barriers, my views on the "Europe-Japan club" are contained in the majority views at footnote 132.

[22] ***, NKK alone has *** short tons of reported capacity, the *** portion of which (*** percent) is allocated to the production of seamless casing and tubing. Table C-11, CR at C-15, PR at C-7. This example, moreover, *** the relative contribution of casing and tubing for the Japanese industry as a whole, since NKK Tubes accounts for a relatively *** portion of drill pipe production in Japan but a relatively *** portion of casing and tubing production. CR at IV-4, PR at IV-6.

[23] Hearing Transcript at 247 (testimony of Mr. Orr) and 248 (testimony of Mr. Petty).

[24] *Compare* the AUVs of U.S. shipments by drill pipe processors *with* the AUVs of export shipments. Table C-4, CR at C-8, PR at C-7. This is consistent with the leading role of Grant Prideco in influencing domestic and overall price levels for finished drill pipe. With respect to unfinished drill pipe, the AUVs of U.S. mills' export shipments were consistently *** than the AUVs of their U.S. shipments. Table C-2, CR at C-6, PR at C-6.

Finally, as described in the discussion of conditions of competition, the consensus of forecasts for demand for OCTG generally (including drill pipe) is highly favorable. Thus, the U.S. market could absorb additional drill pipe imports without displacing existing domestic suppliers.

Based on the foregoing, I find it likely that the volume of subject drill pipe imports from Japan would increase moderately, but not substantially, if the order were revoked. I conclude that the likely volume of imports of the subject merchandise would not be significant if the subject order were revoked, either in absolute terms or relative to production or consumption in the United States.

2. Likely Price Effects of Subject Imports of Drill Pipe from Japan

The Commission's prior threat of injury determination with respect to Japan noted the presence of Japanese product in a rapidly growing segment of drill pipe consumption, namely heavy-weight drill pipe (HWDP) for use in such critical applications as directional drilling.[25] The Commission also compared the average unit values (AUVs) of U.S.- and Japanese-origin HWDP.[26] Finally, the Commission commented upon the price trends for HWDP produced in the United States and Japan.[27] The Commission's prior threat of injury determination with respect to Japan concluded that there was a probability that the subject imports from Japan would enter the United States at prices that would have a depressing or suppressing effect on prices for the domestic like product.

Over the period examined in these reviews, domestic prices for finished drill pipe fluctuated in a wide range. None of the U.S. processors reported prices for 1995. Reported prices moved higher between 1996 and 1998, then declined in an erratic fashion. Prices typically ranged between *** and *** per short ton in 1996 and 2000, but were higher, generally between *** and *** per short ton, during 1997-99. Three times during this latter period, however, quarterly prices rose sharply to between *** and *** per short ton.[28] Notably, the higher prices reflected two important market conditions. First, domestic and foreign demand was strong, whether measured in terms of apparent U.S. consumption of drill pipe, U.S. shipments of finished drill pipe by processors, or export shipments of finished drill pipe by processors.[29] Second, the domestic industry was fully utilizing its available capacity to meet domestic

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[25] *Original Views (Confidential)* at 67; *Original Determinations (Public)* at I-40. The domestic mills' shipments of HWDP rose from *** short tons in 1992 to *** short tons in 1994, while U.S. shipments of HWDP from Japan rose from *** short tons to *** short tons. *Original Report (Confidential)* at Table F-1, p. F-7.

[26] *Original Views (Confidential)* at 67; *Original Determinations (Public)* at I-40-41. The AUVs of HWDP from Japan were *** percent *** than those of the domestic industry in 1992. The differential rose slightly to *** percent in 1993, then decreased to only *** percent in 1994. *Original Report (Confidential)* at Table F-1, p. F-12.

[27] *Original Views (Confidential)* at 67; *Original Determinations (Public)* at I-40-41. Reported prices for the domestic industry were *** per short ton in the first half of 1992, then fluctuated between *** and *** per short ton for the remainder of the period examined. Prices for equivalent Japanese HWDP were available for three quarters during this period, and ranged from *** to *** per short ton. The calculated margins of underselling for these three quarterly comparisons were *** percent, *** percent, and *** percent. *Original Report (Confidential)* at Tables 38 and 46, pp. I-79 and I-89.

[28] Table V-15, CR at V-21, PR at V-7.

[29] *See* Table C-2, CR at C-5, PR at C-5 (apparent U.S. consumption measured as *** short tons in 1997 and *** short tons in 1998); Table C-4, CR at C-8, PR at C-7 (U.S. shipments by processors reached *** short tons in 1997 and *** short tons in 1998); and Table C-4, CR at C-8, PR at C-7 (export shipments by processors reached ***

(continued...)

and foreign demand. Drill pipe processors reported production levels of *** short tons in 1997 and *** short tons in 1998. Even after adding capacity in 2000, drill pipe processors reported production capabilities of no more than *** short tons, under normal circumstances.[30] Taken together, the record suggests that the *** high price levels observed sporadically during the period examined in these reviews reflect a temporary disequilibrium between supply and demand.[31]

Recent market conditions have contributed to rising U.S. prices for drill pipe. Over the last year (February 2000 - January 2001), U.S. drill pipe prices have increased by *** percent.[32] Grant Prideco hopes to raise drill pipe prices by 20 percent by the end of 2001, a level that Weatherford International, a purchaser of OMSCO's and Grant Prideco's drill pipe, agrees is consistent with current market conditions.[33]

I have considered the likely degree of underselling by drill pipe from Japan and whether imports of such merchandise are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the price of the domestic like product. In my analysis, I have taken into account Grant Prideco's characterization as the world's largest manufacturer and supplier of oilfield drill pipe and other drill stem products and as the price leader in the U.S. market,[34] and ***'s description of the "***" possessed by its unfinished drill pipe.[35] Given my expectation of a moderate increase in the volume of subject imports, as described above, I would expect subject imports to have an effect on U.S. prices for drill pipe. However, in the absence of significant volumes I would not anticipate significant price effects. Moreover, an expanding U.S. market for drill pipe would, in my view, permit the introduction of some additional import supply without having a detrimental impact on the U.S. pricing environment.

Furthermore, both U.S. mills and U.S. processors have demonstrated the ability to compete successfully not only in the U.S. market, but in foreign markets as well. Between 1995 and 2000, U.S. mills exported *** percent of their total shipments of unfinished drill pipe, while U.S. processors

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[29] (...continued)
short tons in 1997 and *** short tons in 1998). By all measurements, 1997 and 1998 were peak years for drill pipe demand.

[30] Table C-4, CR at C-8, PR at C-7.

[31] *See, e.g.*, Hearing Transcript at 210 (testimony of Mr. Orr) and at 216 (testimony of Mr. Petty). Grand Prideco confirmed that periods of extended lead times have existed, but contended that these situations did not constitute a shortage. *See, e.g.*, Hearing Transcript at 64 (testimony of Mr. Latham): "I know you will hear later from the IADC that there was allegedly a shortage of drill pipe in 1998. This is simply untrue. While lead times did become extended because of temporary difficulties in obtaining sufficient quantities of tool joints, a problem that has been addressed and solved, I am not aware of any drilling contractor who had to forego a drilling job or delay drilling because of an inability to obtain the needed drill pipe."

[32] Table V-16, CR at V-32, PR at V-10.

[33] Domestic Interested Parties' Posthearing Brief at attachment G (affidavit of Don Latham, Vice President of Sales and Marketing, Grant Prideco) and attachment J (affidavit of Gary L. Warren, President, Weatherford Drilling & Intervention Services).

[34] CR at III-19 n.8 and II-2, PR at III-9 n.8 and II-1; Grant Prideco: The World Leader in Oilfield Tubulars at 9.

[35] CR at III-19 n.6 and III-35 n.11, PR at III-8 n.6 and III-11 n.11. These *** reportedly account for ***'s ability to consistently generate *** on its line of *** drill pipe.

exported *** percent of their total shipments of finished drill pipe.[36] Indeed, U.S. drill pipe even competes with *** drill pipe in ***.[37] This suggests that U.S.-produced drill pipe is fully capable of meeting competition in price environments in which the discipline of the antidumping duty order on Japan is absent.

Consequently, on the basis of the record in these reviews, I find that revocation of the subject order on imports of drill pipe from Japan would not be likely to lead to significant underselling by subject imports of drill pipe, or to significant price depression and suppression, within a reasonably foreseeable time.

3. Likely Impact of Subject Imports of Drill Pipe from Japan

The Commission's prior threat of injury determination with respect to Japan observed that domestic mills' production and U.S. shipments increased between 1992 and 1993, then declined between 1993 and 1994 to levels that remained higher than those in 1992. Employment levels, however, rose throughout 1992-94. The domestic mills' share of the U.S. market declined overall between 1992 and 1994. The consolidated operating income of the domestic industry declined between 1992 and 1993 from $3.5 million (5.4 percent of net sales) to $2.5 million (3.5 percent of net sales), then increased to $5.6 million (6.9 percent of net sales) in 1994. Capital expenditures, however, declined throughout the period examined. The Commission's prior threat of injury determination with respect to Japan concluded that the domestic drill pipe industry's performance over the period of investigation supported a finding that continued increases in subject imports would have an injurious effect on the domestic industry.[38]

The record indicates that the state of the domestic drill pipe industry has improved since the imposition of the antidumping duty order on drill pipe imports from Japan. While production and shipment volumes have tended to fluctuate with demand, both U.S. mills and U.S. processors reported rising volume trends through 1997-98, followed by a *** decline in 1999 and a *** recovery in 2000. Overall employment of production and related workers in the drill pipe industry has followed a similar trend, as have hours worked and wages paid. Consolidated sales data indicate that net sales in the drill pipe industry continued to rise through 1998, before dipping in 1999 and recovering partially in 2000. Consolidated capital expenditures exhibited a similar trend. Finally, the drill pipe industry has remained profitable, just as it was during the period examined in the original investigations. Operating income was $9.2 million in 1995; $21.7 million in 1996; $22.2 million in 1997; $76.0 million in 1998; *** million in 1999; and $13.4 million in 2000.[39]

Based on the above facts, combined with the likelihood that drill pipe demand will continue to increase in the reasonably foreseeable future, I do not find the domestic industry producing drill pipe to be in a vulnerable condition.

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[36] Tables C-2 and C-4, CR at C-6 and C-8, PR at C-6 and C-7.

[37] *See* NKK questionnaire at 23.

[38] *Original Views (Confidential)* at 26-29 and 68; *Original Determinations (Public)* at I-19-20 and I-41.

[39] Table I-2, CR at I-10-14, PR at I-8-11; Table III-33, CR at III-49, PR at III-13.

The state of the domestic drill pipe industry, and indeed, the drill pipe market generally, is much changed since the Commission found the domestic industry to be threatened with material injury. As discussed above, I conclude that revocation of the subject order would not likely lead to a significant increase in the volume of subject imports that would undersell significantly the domestic like product or significantly suppress or depress U.S. prices. I also find that the moderate volume and price effects of the subject imports would not likely have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. Any modest effect on the industry's production, shipments, sales, market share, and revenues would not adversely impact the industry's profitability and ability to raise capital and maintain necessary capital investments.

Accordingly, based on the record in these reviews, I conclude that, if the subject order were revoked, subject imports likely would not have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

IV. Conclusion

For the foregoing reasons, I determine that revocation of the subject order on drill pipe from Japan is not likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.