

DATE: March 1, 2007

MEMORANDUM TO: David M. Spooner  
Assistant Secretary  
for Import Administration

FROM: Stephen J. Claeys  
Deputy Assistant Secretary  
for Import Administration

SUBJECT: Issues and Decision Memorandum for the Expedited Sunset  
Reviews of the Antidumping Duty Orders on Certain  
Welded Large Diameter Line Pipe from Japan and Mexico;  
Final Results

#### SUMMARY

We have analyzed the substantive responses of interested parties in the expedited sunset reviews of the antidumping duty orders covering certain welded large diameter line pipe (“welded large diameter pipe”) from Japan and Mexico. We recommend that for our final results you approve the positions described in the “Discussion of the Issues” section of this memorandum. Below is the complete list of the issues in these expedited sunset reviews for which we received substantive responses by parties:

1. Likelihood of continuation or recurrence of dumping
  - Weighted-average dumping margin
  - Volume of imports
2. Magnitude of the margin likely to prevail
  - Margins from investigation
  - Use of a more recent margin

#### HISTORY OF THE ORDERS

The Department of Commerce (“the Department”) published its antidumping duty orders in the *Federal Register* with respect to imports of welded large diameter pipe from Japan and Mexico at the following rates:<sup>1</sup>

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<sup>1</sup> See *Antidumping Duty Order: Welded Large Diameter Line Pipe From Japan*, 66 FR 63368 (December 6, 2001); and *Antidumping Duty Order: Welded Large Diameter Line Pipe from Mexico*, 67 FR 8937 (February 27, 2002).

Japan

Nippon Steel Corporation	30.80
Kawasaki Steel Corporation	30.80
All Others	30.80

Mexico

PMT-Tubacero	49.86
All Others	49.86

Japan

Since the publication of the order in 2001, the Department has completed no administrative reviews of welded large diameter pipe from Japan. The Department completed two changed circumstances reviews and determined that certain merchandise was excluded from the scope of the antidumping duty order on welded large diameter pipe from Japan. *See Certain Welded Large Diameter Line Pipe from Japan: Final Results of Changed Circumstances Review*, 67 FR 64870 (October 22, 2002); and *Final Results of Changed Circumstances Review: Certain Welded Large Diameter Line Pipe from Japan*, 71 FR 62584 (October 26, 2006).

Mexico

Since the publication of the order in 2002, the Department has completed no administrative reviews of welded large diameter pipe from Mexico.

BACKGROUND

On November 1, 2006, the Department initiated the first sunset reviews of the antidumping duty orders on welded large diameter pipe from Japan and Mexico, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”). *See Initiation of Five-Year (“Sunset”) Reviews*, 71 FR 64242 (November 1, 2006). The Department invited parties to comment.

The Department received notices of intent to participate from the following domestic interested parties: American Steel Pipe Division of ACIPCO, Berg Steel Pipe Corporation, Dura-Bond Pipe LLC, Oregon Steel Mills, and Stupp Corp. (collectively, “domestic interested parties”) within the deadline specified in 19 CFR 351.218(d)(1)(i). The domestic interested parties claimed interested party status under section 771(9)(C) of the Act as U.S. producers of the subject merchandise. The Department received comments from domestic interested parties on November 30, 2006. The Department did not receive substantive responses to the notice of initiation from any respondent interested parties. As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted expedited sunset reviews of these orders.

DISCUSSION OF THE ISSUES

In accordance with section 751(c)(1) of the Act, the Department conducted these sunset reviews to determine whether revocation of these antidumping duty orders would likely lead to the continuation or recurrence of dumping. Sections 752(c)(1)(A) and (B)

of the Act provide that, in making these determinations, the Department shall consider both the weighted-average dumping margins determined in the investigation and subsequent reviews and the volume of imports of the subject merchandise for the period before and the periods after the issuance of the antidumping duty order. In addition, section 752(c)(3) of the Act provides that the Department shall provide to the ITC the magnitude of the margins of dumping likely to prevail if the orders were revoked. Below we address the comments of the interested parties.

## 1. Likelihood of Continuation or Recurrence of Dumping

### Interested Party Comments

The domestic interested parties believe that revocation of these antidumping duty orders would likely lead to a continuation or recurrence of dumping by the Japanese or Mexican manufacturers, producers, and exporters of the subject merchandise due to continued or resumed dumping. *See* Substantive Response of Domestic Interested Parties for Japan, November 30, 2006 (“Substantive Response for Japan”); and Substantive Response of Domestic Interested Parties for Mexico, November 30, 2006 (“Substantive Response for Mexico”). The domestic interested parties contend that the dumping margins remain at above *de minimis* levels for all manufacturers, producers, and exporters of the subject merchandise, as described below.

### Japan

Domestic interested parties argue that dumping of welded large diameter pipe from Japan is likely to continue or recur if the order is revoked. According to domestic interested parties, since the imposition of the order, import volumes of the subject merchandise fell dramatically. Domestic parties further state that the 30.80 percent dumping margin in the original investigation, which is in effect for all Japanese producers/exporters of subject merchandise, continues to protect the U.S. industry from dumped product.

Regarding import volumes, domestic parties argue at pages 3 through 4 of their November 30, 2006, submission (“Substantive Response for Japan”) that imports have dropped from 219,420 metric tons in 2000 to levels as low as 93,576 tons in 2003. Domestic interested parties state that it is believed that much of the post-order imports are of extra heavy walled product, which was excluded from the scope. Domestic interested parties maintain that the decrease in imports of subject merchandise following the publication of the order indicates a strong likelihood of recurrence of dumping should the antidumping order be revoked. Additionally, according to domestic interested parties, the effect of such dumping would be injury to the domestic industry. Therefore, domestic interested parties conclude that the antidumping order for welded large diameter pipe from Japan should not be terminated.

### Mexico

In their substantive response, domestic interested parties argue that the revocation of the antidumping duty order on welded large diameter pipe from Mexico would result in continued dumping margins equivalent to or greater than those found in the original investigation. *See* Substantive Response for Mexico at 3. Domestic parties further state

that the 49.86 percent dumping margin in the original investigation, which is in effect for all Mexican producers/exporters of subject merchandise, continues to protect the U.S. industry from dumped product.

Domestic interested parties state that after the imposition of the order, Mexican shipments of welded large diameter pipe fell dramatically, arguing that post-order shipments dropped to a range of 35 tons to 13,265 tons during the period of 2001 through 2005, as opposed to the pre-order levels of 31,889 metric tons in 1999 and 27,627 metric tons in 2000. *See* Substantive Response for Mexico at 3-4. Domestic interested parties maintain that the decrease in imports of subject merchandise following the publication of the order indicates a strong likelihood of recurrence of dumping should the antidumping order be revoked, which would result in injury to the domestic industry. Therefore, domestic interested parties conclude that the antidumping order for welded large diameter pipe from Mexico should not be terminated.

#### Department's Position

Consistent with the guidance provided in the legislative history accompanying the Uruguay Round Agreements Act, specifically the Statement of Administrative Action ("SAA"), H.R. Doc. No. 103-316, vol. 1 (1994) at 879, the Department's determinations of likelihood will be made on an order-wide basis. In addition, the Department normally will determine that revocation of an order is likely to lead to continuation or recurrence of dumping where (a) dumping continued at any level above *de minimis* after the issuance of the order, (b) imports of the subject merchandise ceased after the issuance of the order, or (c) dumping was eliminated after the issuance of an order and import volumes for the subject merchandise declined significantly. *See* SAA at 889-890.

In addition, pursuant to section 752(c)(1)(B) of the Act, the Department considered the volume of imports of the subject merchandise for the period before and after the issuance of the antidumping order. Using import trade statistics from the IM-145 reports from the U.S. Census Bureau, and the ITC Interactive Tariff and Trade Data Web ("USITC DataWeb"), the Department compared import volumes for the period before and after the period following the imposition of the antidumping duty orders. *See* Memorandum to the File from John Drury and Dena Crossland, Case Analysts, through Angelica L. Mendoza, Program Manager, regarding "Import Volumes for the Final Results of Expedited Five-Year ('Sunset') Reviews of the Antidumping Duty Orders on Certain Welded Large Diameter Line Pipe from Japan and Mexico," dated March 1, 2007 ("Import Volumes Memo").

Below is the Department's analysis for each country:

#### Japan

The Department has not conducted any administrative reviews of the antidumping duty order on welded large diameter pipe from Japan. Cash deposit rates above *de minimis* remain in effect for all imports of welded large diameter pipe from Japan, and no respondent interested party has sought to change these rates by requesting an administrative review. As discussed in section II.A.3 of the Sunset Policy Bulletin, the SAA at 890, if companies continue dumping with the discipline of an order in place, the Department may reasonably infer that dumping would continue if the discipline were

removed. Dumping margins presently remain in place for producers and exporters of welded large diameter pipe from Japan and, therefore, dumping margins above *de minimis* levels continue to exist for shipments of the subject merchandise from all Japanese producers and exporters of the subject merchandise.

Consistent with section 752(c) of the Act, the Department also considered the import volumes before and after issuance of the order. Using statistics provided by the USITC DataWeb, the Department finds that pre-order import quantities of welded large diameter pipe from Japan totaled 299,694 short tons in 1998, 166,889 short tons in 1999, and 219,420 short tons in 2000. Import volumes were substantially lower in 2001, 2003, 2004, 2005, ranging from 93,576 short tons to 136,722 short tons; however, in 2002 import volumes equaled 239,121 short tons. *See* Import Volumes Memo. The Department notes that the U.S. Harmonized Tariff Schedule (“HTSUS”) categories for welded large diameter pipe from Japan do not segregate between merchandise that is included in the scope and merchandise that was excluded from the scope as of 2002. Therefore, the import data is comprised, in part, of non-subject merchandise. *See* Memorandum to the File from John Drury and Dena Crossland, Case Analysts, through Angelica L. Mendoza, Program Manager, regarding “Import Volumes Comparison for the Final Results of Expedited Five-Year Review of the Antidumping Duty Order on Certain Welded Large Diameter Line Pipe from Japan,” dated March 1, 2007. Nevertheless, the import statistics demonstrate that import volumes of the merchandise from Japan within the relevant HTS categories have significantly declined in four of the five years since the imposition of the order. Specifically, the average import volume for 2001 through 2005 is 132,377 short tons, a 40 percent decrease from the import volume level in 2000 of 219,420 short tons. Additionally, in 2005, the import volume decreased 38 percent from the base year in 2000. *See* Import Volumes Memo. The Department concludes that this information is not inconsistent with a decrease in the volume of the subject merchandise over the same time period.

Based on these analyses of the dumping margin and import volumes pertaining to the subject merchandise, the Department determines that dumping is likely to continue if the order were revoked.

### Mexico

The Department has not conducted any administrative reviews of the antidumping duty order on welded large diameter pipe from Mexico. Cash deposit rates above *de minimis* remain in effect for all imports of welded large diameter pipe from Mexico, and no respondent interested party has sought to change these rates by requesting an administrative review. Data from the USITC DataWeb indicate that imports of welded large diameter pipe ranged from 35 short tons to 13,265 short tons during 2001 through 2006. This is in contrast to pre-order volumes of 31,570 short tons and 27,627 short tons, respectively, in 1999 and 2000. *See* Import Volumes Memo. The import statistics demonstrate that import volumes of the subject merchandise from Mexico declined significantly following the imposition of the order and to continue to remain at low levels. Given that there have been no reviews since the investigation, dumping continues above *de minimis* levels, and imports are below pre-order levels, the Department determines that dumping is likely to continue or recur if the order were revoked.

## 2. Magnitude of the Margin Likely to Prevail

### Interested Party Comments

#### Japan

Domestic interested parties cite the Policy Bulletin (63 FR 18873), stating that the Department normally will “provide to the Commission {ITC} the margin that was determined in the final determination of the original investigation.” Domestic interested parties contend that in accordance with the legislative history and the Department’s normal practice, the Department should find the magnitude of the margin of dumping to be identical to the rates determined to exist in the original investigation. *See* Substantive Response for Japan at 5.

#### Mexico

Citing the Sunset Policy Bulletin (63 FR 18873), domestic interested parties contend that the current margin of 49.86 percent for PMT-Tubacero and all other Mexican manufacturers/exporters of subject merchandise should be reported to the ITC as the margin likely to prevail were the order to be revoked. *See* Substantive Response for Mexico at 5.

### Department’s Position

Section 752(c)(3) of the Act provides that the Department will report to the ITC the magnitude of the margin of dumping that is likely to prevail if the order were revoked. The Department normally will select a margin from the final determination of the investigation because that is the only calculated rate that reflects the behavior of exporters without the discipline of an order. *See* SAA at 890. For companies not investigated specifically or for companies that did not begin shipping until after the order was issued, the Department normally will provide a margin based on the “all others” rate from the investigation. The Department’s preference for selecting a margin from the investigation is based on the fact that it is the only calculated rate that reflects the behavior of manufacturers, producers, and exporters without the discipline of an order or suspension agreement in place. Under certain circumstances, however, the Department may select a more recently calculated margin to report to the ITC.

The Department must determine the appropriate rates to report to the ITC for welded large diameter pipe from Japan and Mexico. Below is the Department’s analysis for each country:

#### Japan

The Department has not conducted any administrative reviews of welded large diameter pipe from Japan since the publication of the order in 2001. The Department finds that the margins calculated in the original investigation are probative of the behavior of all Japanese producers and exporters because these are the only calculated rates that reflect the behavior of manufacturers, producers, and exporters without the discipline of an order in place. Therefore, the Department finds that margins from the original investigation are the appropriate margins to report to the ITC. Consistent with section 752(c) of the Act, the Department will report to the ITC the company-specific and

“all others” rates from the investigation as indicated in the “Final Results of the Review” section of this memorandum below.

Mexico

The Department has not conducted any administrative reviews of welded large diameter pipe from Mexico since the publication of the order in 2002. The Department finds that the margins calculated in the original investigation are probative of the behavior of all Mexican producers and exporters because these are the only calculated rates that reflect the behavior of manufacturers, producers, and exporters without the discipline of an order in place. Therefore, the Department finds that margins from the original investigation are the appropriate margins to report to the ITC. Consistent with section 752(c) of the Act, the Department will report to the ITC the company-specific and “all others” rates from the investigation as indicated in the “Final Results of the Review” section of this memorandum below.

FINAL RESULTS OF REVIEWS

As a result of these reviews, the Department determines that revocation of the antidumping duty orders would be likely to lead to continuation or recurrence of dumping at the following weighted-average percentage margins:

Manufacturers/Exporters/Producers	Weighted-Average Margin (percent)
<u>Japan</u>	
Nippon Steel Corporation	30.80
Kawasaki Steel Corporation	30.80
All Others	30.80
<u>Mexico</u>	
PMT-Tubacero	49.86
All Others	49.86

RECOMMENDATION

Based on our analysis of the substantive responses received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of these sunset reviews in the *Federal Register*.

AGREE\_\_\_\_\_

DISAGREE\_\_\_\_\_

\_\_\_\_\_  
David M. Spooner  
Assistant Secretary  
for Import Administration

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Date