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DEPARTMENT OF COMMERCE

International Trade Administration

(A-570-943)

Oil Country Tubular Goods from the People's Republic of China: Initiation of Antidumping Duty Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce

EFFECTIVE DATE: (Insert date of publication in the *Federal Register*.)

FOR FURTHER INFORMATION CONTACT: Eugene Degnan or Paul Stolz, AD/CVD Operations, Office 8, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-0414 and (202) 482-4474, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 8, 2009, the Department of Commerce ("the Department") received an antidumping duty ("AD") petition concerning imports of certain oil country tubular goods ("OCTG") from the People's Republic of China ("PRC") filed in proper form by Maverick Tube Corporation, United States Steel Corporation, TMK IPSCO, V&M Star L.P., V&M Tubular Corporation of America, Wheatland Tube Corp., Evraz Rocky Mountain Steel, and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, (collectively, "Petitioners").[1] On April 17, 2009, the

[1] *See* the Petition for the Imposition of Antidumping and Countervailing Duties Pursuant to Sections 701 and 731 of the Tariff Act of 1930, As Amended ("Petition"), filed on April 8, 2009.

Department issued a request for additional information and clarification of certain areas of the Petition. Based on the Department's request, Petitioners filed supplements to the Petition on April 22, 2009 ("Supplement to the Petition"). The Department requested further clarifications from Petitioners by phone on April 23, 2009, regarding scope, industry support and U.S. price.[2] On April 24, 2009, Petitioners filed the requested information, including a revised scope.[3]

In accordance with section 732(b) of the Tariff Act of 1930, as amended ("the Act"), Petitioners allege that imports of OCTG from the PRC are being, or are likely to be, sold in the United States at less than fair value, within the meaning of section 731 of the Act, and that such imports materially injure, or threaten material injury to, an industry in the United States.

The Department finds that Petitioners filed this Petition on behalf of the domestic industry because Petitioners are interested parties as defined in section 771(9)(C) of the Act, and they have demonstrated sufficient industry support with respect to the investigation that they are requesting the Department to initiate (*see* "Determination of Industry Support for the Petition" below).

Scope of Investigation

The products covered by this investigation are certain OCTG from the PRC. For a full description of the scope of the investigation, please see the "Scope of Investigation" in Appendix I of this notice.

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[2] *See* Memorandum to the File from Matthew Glass, "Petition for the Imposition of Antidumping and Countervailing Duties on Certain Oil Country Tubular Goods From the People's Republic of China (A-570-943) (C-357-819): Conference Call with Petitioners."

[3] *See* Letter from Petitioners, "*Certain Oil Country Tubular Goods from the People's Republic of China;* Response to Department of Commerce Questions Regarding Volume I and II of the Petitions for Imposition of Antidumping and countervailing Duties," dated April 24, 2009.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by May 18, 2009, twenty calendar days from the signature date of this notice. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1117, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Comments on Product Characteristics for Antidumping Duty Questionnaires

We are requesting comments from interested parties regarding the appropriate physical characteristics of OCTG to be reported in response to the Department's antidumping questionnaires. This information will be used to identify the key physical characteristics of the subject merchandise in order to more accurately report the relevant factors and costs of production, as well as to develop appropriate product comparison criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate listing of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as 1) general product characteristics and 2) the product comparison criteria. We note that it is not always appropriate to use all product characteristics as product comparison criteria. We base product comparison criteria on

meaningful commercial differences among products. In other words, while there may be some physical product characteristics utilized by manufacturers to describe OCTG, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the order in which the physical characteristics should be used in product matching. Generally, the Department attempts to list the most important physical characteristics first and the least important characteristics last.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaires, we must receive comments at the above-referenced address by May 18, 2009. Additionally, rebuttal comments must be received by May 25, 2009.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a Petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a Petition meets this requirement if the domestic producers or workers who support the Petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the Petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the Petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method to poll the industry.

Section 771(4)(A) of the Act defines the “industry” as the producers as a whole of a domestic like product. Thus, to determine whether a Petition has the requisite industry support,

the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law.[4]

Section 771(10) of the Act defines the 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 under this subtitle." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the Petition).

With regard to the domestic like product, Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that OCTG constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product.[5]

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[4] *See USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

[5] For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: OCTG from the PRC ("Initiation Checklist") at Attachment II ("Industry Support"), dated concurrently with this notice and on file in the Central Records Unit ("CRU"), Room 1117 of the main Department of Commerce building.

With regard to section 732(c)(4)(A), in determining whether Petitioners have standing, (*i.e.*, those domestic workers and producers supporting the Petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition), we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the "Scope of Investigation" section above. To establish industry support, Petitioners provided their production of the domestic like product for the year 2008, and compared this to an estimate of production of the domestic like product for the entire domestic industry.[6] To estimate 2008 production of the domestic like product, the Petitioners used an industry publication which reports data in shipments. Petitioners approximated domestic production of OCTG by inflating the volume of domestic shipments reported by the ratio of the difference between Petitioners' production and shipments in the applicable calendar year.[7]

Our review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling).[8] Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or

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[6] *See* Volume I of the Petition at, pages 3-4 and Exhibit I-3a.

[7] *See* Volume I of the Petition, at page 3 and Exhibits I-3b and I-3c, and Supplement to the Petition, at pages 10-11 and Exhibit Supp. I-6. For further discussion, *see* Initiation Checklist at Attachment II.

[8] *See* section 732(c)(4)(D) of the Act.

workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product.[9] Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.[10]

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department initiate.[11]

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value ("NV"). In addition, Petitioners allege that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, increased import penetration, underselling and price depressing and suppressing effects, lost sales and revenue, reduced production and capacity utilization, reduced shipments and increased inventories, reduced employment, and an overall decline in financial performance. We

[9] *See* Initiation Checklist at Attachment II.

[10] *See Id*.

[11] *See Id*.

have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation.[12]

Critical Circumstances

Petitioners have alleged that critical circumstances exist with regard to imports of OCTG from the PRC, and have supported their allegations with the following information.

Section 733(e)(1) of the Act states that, if a Petitioner alleges critical circumstances, the Department will find that such circumstances exist, at any time after the date of initiation, when there is a reasonable basis to believe or suspect that, under subparagraph (A)(i), there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales, and, under subparagraph (B), there have been massive imports of the subject merchandise over a relatively short period. Section 351.206(h) of the Department's regulations defines "massive imports" as imports that have increased by at least 15 percent over the imports during an immediately preceding period of comparable duration. Section 351.206(i) of the regulations states that "relatively short period" will normally be defined as the period beginning on the date the proceeding begins and ending at least three months later.

Petitioners allege that there is a history of dumping and material injury by reason of dumped imports as there is currently an order in place in Canada against imports of seamless OCTG from China. Petitioners cite to Canada's Semi-Annual report to the World Trade

[12] *See* Initiation Checklist at Attachment III (Analysis of Allegations and Evidence of Material Injury and Causation for the Petition).

Organization's Committee on Anti-dumping Practices, which demonstrates that as of March 10, 2008, Canada imposed definitive duties on the PRC against imports of seamless carbon or alloy steel oil and gas well casings. Further, Petitioners allege that importers knew, or should have known, that OCTG was being sold at less than its fair value. Specifically, Petitioners allege margins, as adjusted by the Department, of between 36.94 and 99.14 percent, a level high enough to impute importer knowledge that merchandise was being sold at less than its fair value.

Petitioners also have alleged that imports from the PRC have been massive over a relatively short period. Alleging that there was sufficient pre-filing notice of these countervailing duty Petitions, Petitioners contend that the Department should compare imports during January through June 2008 to imports during July through December 2008 for purposes of this determination. Specifically, Petitioners supported this allegation with copies of news articles discussing the likelihood of filing unfair trade complaints against producers of OCTG. For example, Petitioners cite to an international news article in July 2008 discussing the likelihood that U.S. steel producers would file unfair trade cases related to seamless pipe, and explaining that OCTG makes up approximately half of total exports of Chinese seamless pipe. In addition, Petitioners cite to a number of other news articles, ITC decisions on other pipe and tube products and recent cases on the same or similar product in other countries. Petitioners argue that the most definitive example of prior knowledge was contained within the July 2008 article and used this as the basis for their comparison periods. Their comparison of the six month period prior to that article (January-June 2008) with the six month period immediately following (July-December 2008) showed that the U.S. imports of OCTG from China increased 165 percent.

Although the ITC has not yet made a preliminary decision with respect to injury, Petitioners note that in the past the Department has also considered the extent of the increase in

the volume of imports of the subject merchandise as one indicator of whether a reasonable basis exists to impute knowledge that material injury was likely. In this case involving the PRC, Petitioners note that the increase in imports far exceeds the amount considered "massive."

Taking into consideration the foregoing, we find that Petitioners have alleged the elements of critical circumstances and supported them with information reasonably available for purposes of initiating a critical circumstances inquiry. For these reasons, we will investigate this matter further and will make a preliminary determination at the appropriate time, in accordance with section 735(e)(1) of the Act and Department practice.[13]

Period of Investigation

In accordance with 19 CFR 351.204(b), because this Petition was filed on April 8, 2009, the anticipated period of investigation ("POI") is October 1, 2008, through March 31, 2009, the two most recently completed fiscal quarters, as of the month preceding the month in which the petition was filed.

Allegations of Sales at Less Than Fair Value

The following is a description of the allegations of sales at less than fair value upon which the Department has based its decision to initiate an investigation with respect to the PRC. The sources of data for the deductions and adjustments relating to U.S. price and NV are discussed in the Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act, we may reexamine the information and revise the margin calculations, if appropriate.

Export Price

[13] *See* Policy Bulletin 98/4 *(63 FR 55364,* October 15, 1998).

Petitioners calculated export prices ("EPs") for both welded and seamless OCTG based on an offer for sale (for four welded OCTG products) and two invoices and corresponding purchase orders, and an offer for sale (for seamless OCTG). Petitioner presented affidavits for the offers for sale attesting that the offers were made during the POI.[14]

To calculate the net U.S. EP, Petitioners deducted from the U.S. prices a trader markup, the costs associated with exporting and delivering the product, which included foreign inland freight, ocean freight, insurance expenses, foreign port charges (stevedoring, wharfage and handling charges), foreign brokerage and handling, and U.S. port expenses (security fee, unloading fee, and wharfage).

We have not made separate adjustments to U.S. price for foreign port charges (stevedoring, wharfage and handling charges) or the U.S. port expenses of unloading fee and wharfage because evidence on the record indicates these expenses are already included in ocean freight or insurance expenses. Petitioners calculate per-unit ocean freight and insurance using U.S. Census Bureau data, by deducting the reported customs value of OCTG landed in a certain U.S. port from the reported CIF value and dividing it by the total import quantity.[15] The U.S. Census defines CIF data as the sum of import charges and customs value.[16] Accordingly, when customs value is deducted from the CIF value, what is left is import charges. The U.S. Census Bureau defines import charges as "the aggregate cost of all freight, insurance, and other charges (excluding U.S. import duties) incurred in bringing the merchandise from alongside the carrier at the port of exportation in the country of exportation and placing it alongside the carrier at the

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[14] *See* Initiation Checklist for further discussion.

[15] *See* Volume II-A of the Petition at pages 11-12 and Exhibit II-7; Supplement to the PRC AD Petition, dated April 22, 2009, at pages 4-7.

[16] *See* http://www.census.gov/foreigntrade/www/sec2.html#valcusimports.

first port of entry in the United States."[17] Thus it is clear that import charges, the basis for ocean freight and insurance, includes the expenses associated with loading the merchandise from the wharf to the carrier, and those expenses associated with unloading the merchandise from the vessel to wharf, *i.e.*, stevedoring, wharfage and handling.

Normal Value

Petitioners state that in every previous less-than-fair value investigation involving merchandise from the PRC, the Department has concluded that the PRC is a non-market economy country ("NME") and, as the Department has not revoked this determination, its NME status remains in effect today.[18] The Department has previously examined the PRC's market status and determined that NME status should continue for the PRC.[19] In addition, in recent investigations, the Department has continued to determine that the PRC is an NME country.[20]

In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to

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[17] *Id.*

[18] *See* Volume II-A of the Petition, at page 2.

[19] *See* Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, regarding The People's Republic of China Status as a Non-Market Economy, dated May 15, 2006. This document is available online at http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf.

[20] *See Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Determination of Sales at Less Than Fair Value,* 74 FR 14514 (March 31, 2009); *Frontseating Service Valves from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances,* 74 FR 10886 (March 13, 2009); *1-Hydroxyethylidene-1, 1-Diphosphonic Acid From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 74 FR 10545* (March 11, 2009).

provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioners argue that India is the appropriate surrogate country for the PRC because it is at a comparable level of economic development and it is a significant producer of tubular steel products.[21] Petitioners state that the Department has determined in previous investigations and administrative reviews that India is at a level of development comparable to the PRC.[22] Petitioners also assert that in 2006 India produced 1,027,000 metric tons of tubular steel products, indicating it is a significant producer of tubular steel products.[23]

Based on the information provided by Petitioners, the Department believes that the use of India as a surrogate country is appropriate for purposes of initiation. However, after initiation of the investigation, interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 C.F.R. 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

Petitioners provided dumping margin calculations using the Department's NME methodology as required by 19 C.F.R. 351.202(b)(7)(i)(C) and 19 C.F.R. 351.408. Petitioners calculated four NVs for welded OCTG and three NVs for seamless OCTG.

Petitioners valued the factors of production using reasonably available, public surrogate country data, including India import data from the Monthly Statistics of the Foreign Trade of India from the period May 2008 through October 2008, the most current WTA data available.[24]

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[21] *See* Volume II-A of the Petition, at page 4.

[22] *See id.*

[23] *See id.*

[24] *See* Supplement to the PRC AD Petition, dated April 22, 2009, at page 1.

Petitioners state that they valued hot-rolled steel coil and steel scrap using Indian import data from the Monthly Statistics of the Foreign Trade of India, under Indian HTS numbers 7208.36, 7208.37, and 7208.38 for hot-rolled steel coil and Indian HTS number 7204.49.00 for steel scrap.[25]

Petitioners valued electricity using Indian electricity rates disseminated by the Central Electricity Authority in India.[26]

Petitioners valued labor using the wage rate data published on the Department's website, at http://ia.ita.doc.gov/wages/04wages/04wages-010907.html.[27]

Petitioners included a value for "production equipment tires" in its NV calculation for seamless OCTG. Consistent with Department practice we did not include a value for "production equipment tires" in the calculation of NV. The Department has, in previous proceedings, found that materials consumed for the purpose of manufacturing subject merchandise, are properly considered factors of production. However, in the instant investigation, there is no evidence on the record indicating what "production equipment tires" are, or how they are consumed in the production of OCTG. Therefore, for purposes of initiation, we are not including production equipment tires in the calculation of normal value.[28]

Where Petitioners were unable to find input prices contemporaneous with the POI, Petitioners adjusted for inflation using the wholesale price index for India, as published in

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[25] *See* Volume II-A of the Petition, at page 20-21, and Exhibit 20. *See also* Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit II-7.

[26] *See* Volume II-A of the Petition, at page 21, and Exhibit 21. *See also* Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit II-41.

[27] *See* Volume II-A of the Petition, at page 21, and Exhibit II-22.

[28] *See, e.g., Certain Steel Nails from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances,* 73 FR 33977 (June 16, 2008); *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China,* 71 FR 29303 (May 22, 2006).

"International Financial Statistics" by the International Monetary Fund.[29] Petitioners used exchange rates, as provided on the Department's website, to convert Indian Rupees to U.S. Dollars.[30]

Petitioners based factory overhead, selling, general and administrative expenses ("SG&A"), and profit, on the financial ratios of Maharashtra Seamless Ltd. ("MSL"), Ratnamani Metals & Tubes Ltd. ("Ratnamani"), Steel Authority of India, Ltd. ("SAIL"), Tata Steel Limited ("Tata"), and Welspun Gujarat Stahl Rohen Ltd. ("Welspun"), Indian producers of pipe and tube, with adjustments as requested by the Department.[31] However, MSL'S financial statements demonstrated that the company received subsidies that the Department had previously determined to be countervailable,[32] and Petitioners removed MSL from the pool of companies used as the source of surrogate financial ratio calculations.[33] Thus, Petitioners based their calculations on the annual reports as of March 31, 2008, of Ratnamani, SAIL, Tata and Welspun. Although these financial statements do not overlap the POI, they represent the most current information reasonably available to Petitioners at the time they filed the Petition.

Petitioners calculated separate financial ratios for seamless and welded OCTG. Petitioners based the ratios for seamless OCTG on the simple average of SAIL's and Tata's overhead, SG&A, and profit ratios, asserting that SAIL and Tata are large integrated steel producers like Baosteel Group Shanghai Steel Tube ("Baosteel") and Baotou Iron & Steel

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[29] *See* Volume II-A of the Petition, at pages 18-19, and Exhibit 8.

[30] *See* Supplement to the PRC AD Petition, dated April 22, 2009, at page 15 and Exhibits II-33 and II-34.

[31] *See* Volume II-A of the Petition, at pages 22-23 and Exhibit 23, and Volume II-B of the Petition, at pages 3, 13-15 and Exhibits 32-LL, -MM, --NN, -OO, -PP and -QQ(1) and –QQ(2); *see also* Supplement to the PRC AD Petition, dated April 22, 2009, at pages 16-19 and Exhibits Supp. II-50 and Supp. II-51.

[32] *See* letter to Petitioners, "Re: Petitions for the Imposition of Antidumping and Countervailing Duties on Oil Country Tubular Goods Imported from the People's Republic of China," dated April 17, 2009.

[33] *See* Supplement to the PRC AD Petition, dated April 22, 2009, at page 16.

("Baotou"), and produce comparable merchandise.[34] Petitioners based ratios for welded OCTG on the simple average of Ratnamani's and Welspun's overhead, SG&A, and profit ratios, asserting that Ratnamani and Welspun produce a range of pipe products which match the production experience of Huludao City Steel Pipe Industrial Co. ("Huludao").[35]

We made no changes to Petitioners' calculations for Tata. We made changes to Petitioners' calculations for Ratnamani, Welspun and SAIL as follows.[36]

Ratnamani:

- We excluded the value of opening and closing stock of finished goods from our calculations.

Welspun:

- We excluded the increase (or decrease) on excise on finished goods from our calculations.
- We reclassified coating and other job charges from materials to manufacturing overhead.
- We reclassified repairs – other from SG&A to manufacturing overhead.
- We excluded interest received gross from our calculations.
- We applied the value of depreciation as recorded on the income statement in our calculations (the value used by Petitioners did not reflect the value in the income statement).

SAIL:

- We reclassified grants in aid received from the government of Kamataka and travel concession from SG&A to labor, to correspond with their treatment in the financial statements.
- We reclassified handling expenses for raw materials and scrap from SG&A to raw materials;

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[34] *See* Volume II-B of the Petition, at page 3, Exhibits 32-LL, -MM, -NN, -OO, -PP and -QQ(1) and -QQ(2); *see also* Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit Supp. II-50.

[35] *See* Volume II-A of the Petition, at page 22, Exhibit 23; *see also* Supplement to the PRC AD Petition, dated April 22, 2009, at Exhibit Supp. II-51.

[36] *See* Attachment V to the Initiation Checklist for all calculations.

- We reclassified conversion charges, water charges & cess on water pollution and provisions: stores, spares and sundries from SG&A to manufacturing overhead.
- We excluded handling expenses for finished goods from our calculations.
- We reclassified power and fuel expense from raw materials to energy.
- We excluded adjustments pertaining to earlier years and fringe benefits tax from our calculations.

Fair-Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of OCTG from the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of EP to NV as revised above, the estimated dumping margins for the PRC range from 36.94 percent to 99.14 percent.

Initiation of Antidumping Investigation

Based upon the examination of the Petition concerning OCTG from the PRC and other information reasonably available to the Department, the Department finds that this Petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of OCTG from the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Targeted-Dumping Allegations

On December 10, 2008, the Department issued an interim final rule for the purpose of withdrawing 19 CFR 351.414(f) and (g), the regulatory provisions governing the targeted-dumping analysis in antidumping duty investigations, and the corresponding regulation

governing the deadline for targeted-dumping allegations, 19 CFR 351.301(d)(5).[37] The Department stated that "{w}ithdrawal will allow the Department to exercise the discretion intended by the statute and, thereby, develop a practice that will allow interested parties to pursue all statutory avenues of relief in this area."[38]

In order to accomplish this objective, if any interested party wishes to make a targeted-dumping allegation in any of these investigations pursuant to section 777A(d)(1)(B) of the Act, such allegations are due no later than 45 days before the scheduled date of the preliminary determination.

Respondent Selection

For the PRC, the Department will request quantity and value information from all known exporters and producers identified, with complete contact information, in the Petition. The quantity and value data received from NME exporters/producers will be used as the basis to select the mandatory respondents.

The Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rate application by the respective deadlines in order to receive consideration for separate-rate status.[39] Appendix II of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters/producers no later than May 19, 2009. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the Import Administration website, at

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[37] *See Withdrawal of the Regulatory Provisions Governing Targeted Dumping in Antidumping Duty Investigations*, 73 FR 74930 (December 10, 2008).

[38] *Id*. at 74931.

[39] *See Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 73 FR 10221, 10225 (February 26, 2008); and *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005).

http://ia.ita.doc.gov/ia-highlights-and-news.html. The Department will send the quantity and value questionnaire to those PRC companies identified in the Petition, Volume I, at Exhibit I-6.

Separate Rates

In order to obtain separate-rate status in an NME investigation, exporters and producers must submit a separate-rate status application.[40] The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, available on the Department's website at http://ia.ita.doc.gov/ia-highlights-and-news.html on the date of publication of this initiation notice in the *Federal Register*. The separate-rate application will be due sixty (60) days from the date of publication of this initiation notice in the *Federal Register*.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The Separate Rates/Combination Rates Bulletin[41] states: {w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the

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[40] *See Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188, 23193 (April 29, 2008) ("*Certain Circular Welded Carbon Quality Steel Line Pipe from the PRC*").

[41] *See* Import Administration Policy Bulletin, Number: 05.1, "Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries," dated April 5, 2005, available on the Department's website at http://ia.ita.doc.gov/policy/bull05-1.pdf.

application of combination rates because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question *and* produced by a firm that supplied the exporter during the period of investigation.[42]

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), a copy of the public version of the Petition has been provided to the representatives of the Government of the PRC. Because of the particularly large number of producers/exporters identified in the Petition, the Department considers the service of the public version of the Petition to the foreign producers/exporters satisfied by the delivery of the public version to the Government of the PRC, consistent with 19 CFR 351.203(c)(2).

International Trade Commission ("ITC") Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the International Trade Commission

The ITC will preliminarily determine, no later than May 26, 2009,[43] whether there is a reasonable indication that imports of OCTG from the PRC materially injure, or threaten material injury to, a U.S. industry. A negative ITC determination covering all classes or kinds of merchandise covered by the Petition would result in the investigation being terminated. Otherwise, this investigation will proceed according to statutory and regulatory time limits.

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[42] *See also Certain Circular Welded Carbon Quality Steel Line Pipe from the PRC*, 73 FR 23188, 23193.

[43] Where the deadline falls on a weekend/holiday, the appropriate date is the next business day

This notice is issued and published pursuant to section 777(i) of the Act.

_____
Ronald K. Lorentzen
Acting Assistant Secretary
for Import Administration

_____
Date

Appendix I
Scope of the Investigation

The merchandise covered by the investigation consists of certain oil country tubular goods ("OCTG"), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.*, whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute ("API") or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. Excluded from the scope of the investigation are casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise covered by the investigation is currently classified in the Harmonized Tariff Schedule of the United States ("HTSUS") under item numbers:
7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The OCTG coupling stock covered by the investigation may also enter under the following HTSUS item numbers:
7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, , 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, and 7304.59.80.80.

The HTSUS subheadings are provided for convenience and customs purposes only, the written description of the scope of the investigation is dispositive.

Appendix II

Where it is not practicable to examine all known exporters/producers of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930, as amended, permits us to investigate 1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or 2) exporters and producers accounting for the largest volume of the subject merchandise that can reasonably be examined.

In the chart below, please provide the total quantity and total value of all your sales of merchandise covered by the scope of this investigation (*see* "Scope of Investigation" section of this notice), produced in the PRC, and exported/shipped to the United States during the period October 1, 2007, through March 31, 2007.

Market	**Total Quantity in Metric Tons**	**Terms of Sale**	**Total Value**
United States			
1. Export Price Sales			
2. a. Exporter Name b. Address c. Contact d. Phone No. e. Fax No.			
3. Constructed Export Price Sales			
4. Further Manufactured			
Total Sales			

Total Quantity:

- Please report quantity on a metric ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

- Please report all sales on the same terms (*e.g.*, free on board at port of export).

Total Value:

- All sales values should be reported in U.S. dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

- Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated customer occurs before importation into the United States.

- Please include any sales exported by your company directly to the United States.
- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please **do not** include any sales of subject merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

- Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated customer occurs after importation. However, if the first sale to the unaffiliated customer is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.
- Please include any sales exported by your company directly to the United States;
- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please **do not** include any sales of subject merchandise manufactured in Hong Kong in your figures.

Further Manufactured:

- Sales of further manufactured or assembled (including re-packaged) merchandise is merchandise that undergoes further manufacture or assembly in the United States before being sold to the first unaffiliated customer.
- Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.