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MEMORANDUM TO: Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

FROM: Holly Kuga  
Acting Deputy Assistant Secretary  
for Group II, Import Administration

SUBJECT: Issues and Decision Memorandum for the 2001-02 Antidumping Duty  
Administrative Review: Certain Small Diameter Carbon and Alloy  
Seamless Standard, Line, and Pressure Pipe from Romania

### **Summary**

Only one interested party, S.C. Silcotub S.A. (Silcotub), the respondent, submitted comments on the final results of this administrative review covering certain small diameter carbon and alloy seamless standard, line, and pressure pipe (seamless pipe) from Romania. We have carefully analyzed these comments and recommend that you approve the positions we have developed in the **Department Position** sections of this memorandum.

### **Background**

On May 12, 2003, the Department of Commerce (the Department) published the preliminary results of this review. See Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Romania: Preliminary Results of Antidumping Duty Administrative Review, 68 FR 25335 (Preliminary Results). The period of review (POR) is August 1, 2001, through July 31, 2002. On June 11, 2003, we received a case brief from Silcotub. No other party commented on the preliminary results, or responded to Silcotub's comments. No hearing was requested by any party in this administrative review.

List of Comments in the Issues and Decision Memorandum

**Comment 1:** Use of Fidelity Steel Manufacturing Corporation's Financial Statements to Calculate Overhead, Selling, General, and Administrative Expenses, and Profit

**Comment 2:** Valuation of Natural Gas

## **DISCUSSION OF ISSUES**

### **Comment 1: Use of Fidelity Steel Manufacturing Corporation's Financial Statement to Calculate Overhead, Selling, General, and Administrative Expenses, and Profit**

Silcotub argues that, although the financial ratios used by the Department in the preliminary results were “not too aberrational,”<sup>1</sup> the financial statement of Fidelity Steel Manufacturing Corporation (Fidelity), a welded pipe producer in the Philippines, is more typical of the pipe industry being reviewed. Therefore, for purposes of the final results, Silcotub asserts that the Department should use Fidelity's financial statement to calculate overhead, selling, general, and administrative (SG&A) expenses, and profit.

#### **Department Position:**

We have continued to use the financial statement of the Egyptian pipe producer, El Nasr, to calculate overhead; SG&A expenses, and profit. In accordance with section 351.408(c)(2) of the Department's regulations, the Department “will normally value all factors in a single surrogate country.” In this review, as in the previous review, the Department selected Egypt as the most appropriate surrogate country in which to value Silcotub's factors of production and has valued all surrogate values and financial ratios from Egyptian data. Further, Silcotub does not state the basis for its claim that the financial statement of Fidelity is more typical of the pipe industry in Romania, nor does Silcotub provide a basis for its implied conclusion that the information taken from the financial statement of the Egyptian pipe producer, El Nasr, is aberrational. Accordingly, we have not changed our valuation of overhead, SG&A expenses, and profit for purposes of the final results.

### **Comment 2: Valuation of Natural Gas**

Silcotub argues that the Department should use the price of natural gas cited in Egyptian legislation to value natural gas for the final results of this review.<sup>2</sup> First, Silcotub states that there is no evidence that the Egyptian legislation has been abrogated. Without evidence that this law has changed, states Silcotub, the Department should not use the natural gas prices from an article published in Rigzone that it used in the preliminary results of this review.

Second, Silcotub states that the Department has a preference for public statistics. Silcotub asserts that the official Egyptian data are relevant to the entire country, whereas the data in the Rigzone article are unsubstantiated.

Last, Silcotub notes that the Rigzone article, used by the Department in the preliminary results,

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<sup>1</sup> Silcotub's June 11, 2003 case brief at 1.

<sup>2</sup> See Silcotub's April 10, 2003 submission at Exhibit 4.

specifically relates to natural gas exports. Silcotub argues that such prices are inapplicable to domestic consumption and are not reliable indicators of domestic Egyptian prices.

**Department Position:**

As articulated in Notice of Final Determination of Sales at Less Than Fair Value: Urea Ammonium Nitrate Solutions From the Russian Federation, 68 FR 9977 (March 3, 2003),<sup>3</sup> the Department determined that the rate listed in the Egyptian governmental decree favored by Silcotub was not appropriate because it was set by decree, was not determined by market forces and, therefore, could not be relied upon as a market price with which to value natural gas. Consistent with that decision, for the final results of the prior review of this proceeding, we used the Rigzone prices for natural gas in Egypt as a more appropriate surrogate value. See Issues and Decision Memorandum from Holly A. Kuga, Acting Deputy Assistant Secretary, Import Administration, to Joseph Spetrini, Acting Assistant Secretary for Import Administration (March 10, 2003), as referenced in Final Results of Antidumping Duty Administrative Review: Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from Romania, 68 FR 12672 (March 17, 2003). (See also Preliminary Results of Antidumping Duty Administrative Review: Certain Small Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from Romania, 68 FR 25335 (May 12, 2003).) We continue to find these prices to be the most appropriate values on the record because they are more contemporaneous than the price suggested by Silcotub and are market prices, listed in a publicly available article. Also, the prices in the Rigzone article are negotiated between two private enterprises that produce natural gas for profit. The negotiated rates are tied to the Brent Crude oil index, further indicating the fact that such prices reflect market-driven rates. Contrary to what Silcotub argues, the Rigzone prices are not just export prices, but they are also the prices at which the government of Egypt purchases natural gas in Egypt. Accordingly, we have not changed our valuation of natural gas in Egypt for purposes of the final results of this review.

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<sup>3</sup> See also corresponding Issues and Decision Memorandum from Bernard T. Carreau, Deputy Assistant Secretary for Import Administration, to Faryar Shirzad, Assistant Secretary for Import Administration (February 21, 2003) at 3-5.

**Recommendation**

Based on our analysis of the comments received, we recommend adopting the above positions.  
If this recommendation is accepted, we will publish the final determination in the Federal Register.

AGREE \_\_\_\_ DISAGREE \_\_\_\_

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Joseph A. Spetrini  
Acting Assistant Secretary  
for Import Administration

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Date