DATE: February 4, 2016

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Expedited Sunset Review of the Antidumping Duty Order on Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China

Summary

In the first sunset review of the antidumping duty ("AD") order on seamless carbon and alloy steel standard, line, and pressure pipe ("Seamless SLP") from the People's Republic of China ("PRC"), TMK IPSCO, United States Steel Corporation ("U.S. Steel"), and Vallourec Star, L.P. ("Vallourec") (collectively "domestic interested parties"), U.S. producers or wholesalers of Seamless SLP, have submitted an adequate and timely notice of intent to participate, as well as a substantive response. No respondent interested party submitted a response. Accordingly, we conducted an expedited (120-day) sunset review. In accordance with our analysis of the domestic interested parties' adequate substantive response, we recommend that you approve the positions described in the instant memorandum. The following is a complete list of issues in the instant sunset review for which we received a substantive response:

1. Likelihood of continuation or recurrence of dumping; and
2. Magnitude of the dumping margin likely to prevail.
Background

On November 10, 2010, the Department of Commerce (the “Department”) published an AD order on imports of Seamless SLP from the PRC. The Order was based on affirmative final determinations by the Department and the U.S. International Trade Commission (“ITC”). The calculated dumping margins set forth in the Order are 50.01 percent for Tianjin Pipe International Economic and Trading Corporation, 82.24 percent for Hengyang Steel Tube Group International Trading Inc., 66.13 percent for Xigang Seamless Steel Tube Co., Ltd., 66.13 percent for Jiangyin City Changjiang Steel Pipe Co., Ltd., 66.13 percent for Pangang Group Chengdu Iron & Steel Co., Ltd., 66.13 percent for Pangang Group Chengdu Iron & Steel Co., Ltd., 66.13 percent for Yangzhou Lontrin Steel Tube Co., Ltd., 66.13 percent for Yangzhou Chengde Steel Tube Co., Ltd.; and a PRC-Wide rate of 98.74 percent.

On August 14, 2015, the Department implemented its determinations under Section 129 of the Uruguay Round Agreements Act pursuant to United States -- Countervailing and Anti-dumping Measures on Certain Products from China, WT/DS449 (WTO DS 449). The Department calculated adjusted margins of 49.93 percent for Tianjin Pipe International Economic and Trading Corporation, 80.12 percent for Hengyang Steel Tube Group International Trading Inc., 65.03 percent for Xigang Seamless Steel Tube Co., Ltd., 65.03 percent for Jiangyin City Changjiang Steel; Pipe Co., Ltd., 65.03 percent for Pangang Group Chengdu Iron & Steel Co., Ltd., 65.03 percent for Pangang Group Chengdu Iron & Steel Co., Ltd., 65.03 percent for Yangzhou Lontrin Steel Tube Co., Ltd., and 65.03 percent for Yangzhou Chengde Steel Tube Co., Ltd.

On October 1, 2015, the Department initiated the first sunset review of the Order pursuant to section 751(c) of the Tariff Act of 1930, as amended (“Act”). On October 14, 2015, the Department received a timely notice of intent to participate in the sunset review from the domestic interested parties, pursuant to 19 CFR 351.218(d)(1)(i). In accordance with 19 CFR 351.218(d)(1)(ii)(A), the domestic interested parties claimed interested party status under section

---

3 See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from China, USITC Investigation Nos. 701-TA-469 and 731-TA-1168 (Final), USITC Publication 4190 (November 2010).
4 See Public Law 103-465 (“Uruguay Round Agreements Act”).
7 See Letter from domestic interested parties “Re: Notice of Intent to Participate in First Five-Year Review of the Antidumping Order on Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People,” dated October 14, 2015.
On November 2, 2015, the domestic interested parties filed a substantive response in the sunset review within the 30-day deadline, as specified in 19 CFR 351.218(d)(3)(i). The Department did not receive a substantive response from any respondent interested party in the sunset review. Based on the lack of a response in the sunset review from any respondent party, the Department is conducting an expedited (120-day) sunset review consistent with section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2). Our analysis of the domestic interested parties’ comments submitted in their substantive response is set forth in the “Analysis” section, infra.

Scope of the Order

The scope of the Order is as follows:

The merchandise covered by this order is certain seamless carbon and alloy steel (other than stainless steel) pipes and redraw hollows, less than or equal to 16 inches (406.4 mm) in outside diameter, regardless of wall-thickness, manufacturing process (e.g., hot-finished or cold-drawn), end finish (e.g., plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish (e.g., bare, lacquered or coated). Redraw hollows are any unfinished carbon or alloy steel (other than stainless steel) pipe or “hollow profiles” suitable for cold finishing operations, such as cold drawing, to meet the American Society for Testing and Materials (“ASTM”) or American Petroleum Institute (“API”) specifications referenced below, or comparable specifications. Specifically included within the scope are seamless carbon and alloy steel (other than stainless steel) standard, line, and pressure pipes produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, ASTM A-1024, and the API 5L specifications, or comparable specifications, and meeting the physical parameters described above, regardless of application, with the exception of the exclusion discussed below.

Specifically excluded from the scope of the order are: (1) All pipes meeting aerospace, hydraulic, and bearing tubing specifications; (2) all pipes meeting the chemical requirements of ASTM A-335, whether finished or unfinished; and (3) unattached couplings. Also excluded from the scope of the order are all mechanical, boiler, condenser and heat exchange tubing, except when such products conform to the dimensional requirements, i.e., outside diameter and wall thickness of ASTM A-53, ASTM A-106 or API 5L specifications.


9 See Procedures from Conducting Five-year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders, 70 FR 62061 (October 28, 2005) (the Department normally will conduct an expedited sunset review where respondent interested parties provide an inadequate response).

Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the merchandise subject to this scope is dispositive.

**Discussion of the Issues**

**Legal Framework**

In accordance with section 751(c)(1) of the Act, the Department is conducting this sunset review to determine whether revocation of the AD order would likely lead to continuation or recurrence of dumping. Sections 752(c)(1)(A) and (B) of the Act provide that, in making this determination, 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 period after, the issuance of the AD order.

Consistent with guidance provided in the legislative history accompanying the Uruguay Round Agreements Act (i.e., the Statement of Administrative Action, SAA, H.R. Rep. No. 103-316, Vol. 1 (1994) (“SAA”); House Report, H. Rep. No. 103-826, pt. 1 (1994) (“House Report”); and Senate Report, S. Rep. No. 103-412 (1994)(“Senate Report”)), the Department will make its likelihood determination on an order-wide, rather than company-specific, basis. The Department normally determines that revocation of an AD order is likely to lead to continuation or recurrence of dumping when, among other scenarios: (a) dumping continued at any level above de minimis after issuance of the order; (b) imports of the subject merchandise ceased after issuance of the order; or (c) dumping was eliminated after the issuance of the order and import volumes for the subject merchandise declined significantly. Alternatively, the Department normally will determine that revocation of an AD order is not likely to lead to continuation or recurrence of dumping where dumping was eliminated after issuance of the order and import volumes remained steady or increased. In addition, as a base period for import volume comparison, it is the Department’s practice to use the one-year period immediately preceding the initiation of the investigation, rather than the level of pre-order import volumes, as the initiation of an investigation may dampen import volumes and, thus, skew the comparison.

Further, section 752(c)(3) of the Act states that the Department shall provide to the ITC the magnitude of the margin of dumping likely to prevail if the order were revoked. Generally, the Department selects the margin(s) from the final determination in the investigation, as this is the only calculated rate that reflects the behavior of exporters without the discipline of an order in

---

12 See SAA at 879, and House Report at 56.
13 See SAA at 889-90, House Report at 63-64, and Senate Report at 52.
14 See SAA at 889-90, and House Report at 63.
15 See, e.g., Stainless Steel Bar from Germany: Final Results of the Sunset Review of the Antidumping Duty Order, 72 FR 56985 (October 5, 2007), and accompanying Issues and Decision Memorandum at Comment 1.
place. However, in certain circumstances, a more recently calculated rate may be more appropriate (e.g., “if dumping margins have declined over the life of an order and imports have remained steady or increased, {the Department} may conclude that exporters are likely to continue dumping at the lower rates found in a more recent review”).

In February 2012, the Department announced it was modifying its practice in sunset reviews such that it will not rely on weighted-average dumping margins that were calculated using the methodology found to be World Trade Organization (WTO)-inconsistent. In the Final Modification for Reviews, the Department stated that “only in the most extraordinary circumstances” would it rely on margins other than those calculated in and published in prior determinations. The Department further stated that apart from the “most extraordinary circumstances,” it would “limit its reliance to margins determined or applied during the five-year sunset period that were not determined in a manner found to be WTO-inconsistent” and that it “may also rely on past dumping margins that were not affected by the WTO-inconsistent methodology, such as dumping margins recalculated pursuant to Section 129 proceedings dumping margins determined based on the use of total adverse facts available, and dumping margins where no offsets were denied because all comparison results were positive.”

Finally, pursuant to section 752(c)(4)(A) of the Act, a dumping margin of “zero or de minimis shall not by itself require” the Department to determine that revocation of an AD order would not be likely to lead to a continuation or recurrence of sales at less than fair value.

Below we address the comments submitted by the domestic interested parties.

1. Likelihood of continuation or recurrence of dumping

Domestic Interested Parties’ Comments

Domestic interested parties argue that revocation of the Order would likely result in the continuation or recurrence of sales at less than fair value at margins equivalent or greater than those found in the original investigation.

Specifically, domestic interested parties argue that consistent with established practice, because no administrative review has been completed since the Order was issued, the Department should determine that dumping has continued at the revised margins calculated in its Section 129

16 See SAA at 890; see, e.g., Persulfates from the People’s Republic of China: Notice of Final Results of Expedited Second Sunset Review of Antidumping Duty Order, 73 FR 11868 (March 5, 2008), and accompanying Issues and Decision Memorandum at Comment 2.
17 See SAA at 890-91.
19 Id.
20 Id. at 8109.
proceeding.\textsuperscript{22} Furthermore, they state that the continued existence of such above \textit{de minimis} margins is sufficient basis for the Department to conclude that Chinese producers are likely to continue to engage in dumping in the absence of the order.

Additionally, domestic interested parties state that the Department will not revoke an order where it determines that “import volumes for the subject merchandise declined significantly” as a result of said order. Since producers and exporters often reduce shipments upon initiation of an investigation, import volumes for the period prior to initiation constitute the most appropriate basis for comparison. The volumes for imports of Seamless SLP in the two years prior to the filing of the petition and initiation of the investigation, 2007 and 2008, were 172,319 short tons and 366,088 short tons, respectively.\textsuperscript{23} Furthermore, the volume of Seamless SLP imports dropped to 13,206 short tons in 2010, 6,819 short tons in 2011, 10,741 short tons in 2012, 17,137 short tons in 2013, and 10,507 short tons in 2014.\textsuperscript{24} The decline in imports warrants continuation of the order and shows Chinese exporters could not ship the subject merchandise under the discipline of the AD order.\textsuperscript{25}

\textbf{Department Position}

As explained in the “Legal Framework” section above, the Department’s determination concerning whether revocation of an AD order would be likely to lead to continuation or recurrence of dumping is based, in part, upon guidance provided by the legislative history accompanying the Uruguay Round Agreements Act (\textit{i.e.}, the SAA; House Report; and Senate Report). Consistent with the SAA and House Report, the Department will make its likelihood determination on an order-wide basis.\textsuperscript{26} Further, when determining whether revocation of the order would be likely to lead to continuation of dumping, sections 752(c)(1)(A) and (B) of the Act instruct the Department to consider: (1) the weighted-average dumping margins determined in the investigation and subsequent reviews; and (2) the volume of imports of the subject merchandise for the period before and after the issuance of the AD order. Thus, one consideration is whether the Department continued to find dumping above \textit{de minimis} levels in administrative reviews subsequent to imposition of the AD order.\textsuperscript{27} According to the SAA and the House Report, “if companies continue to dump with the discipline of an order in place, it is reasonable to assume that dumping would continue if the discipline were removed.”\textsuperscript{28} For the

\textsuperscript{22} See, \textit{e.g.}, Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Japan; Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Japan and Romania: Final Results of the Expedited Second Five-Year Sunset Reviews of the Antidumping Duty Orders, 76 FR 47555, 47557 (August 5, 2011).


\textsuperscript{24} See Substantive Response, Exhibit 1.

\textsuperscript{25} Data detailing the volume of imports was listed in the Substantive Response as “Exhibit 1”. However “Exhibit 1” was not included as part of the submission. The Department placed data regarding import volume, found in Attachment 1, on the record on January 7, 2016. See Memo to File from Aleksandras Nakutis: Expedited Sunset Review of the Antidumping Duty Order on Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe Republic of China – Import Data, dated January 7, 2016.

\textsuperscript{26} See SAA at 879 and House Report at 56.

\textsuperscript{27} Id. at 890.

\textsuperscript{28} Id.; \textit{see also} House Report at 63-64.
reasons discussed below, we find that revocation of the *Order* would be likely to result in the continuation or recurrence of dumping in the United States.

Pursuant to section 752(c)(1)(A) of the Act, the Department first considers the weighted-average dumping margins determined in the investigation. In the investigation the Department found that imports of Seamless SLP from Tianjin Pipe International Economic and Trading Corporation, Hengyang Steel Tube Group International Trading Inc., Xigang Seamless Steel Tube Co., Ltd., Jiangyin City Changjiang Steel Pipe Co., Ltd., Pangang Group Chengdu Iron & Steel Co., Ltd., Pangang Group Chengdu Iron & Steel Co., Ltd., Yangzhou Lontin Steel Tube Co., Ltd., and Yangzhou Chengde Steel Tub Co., Ltd. from the PRC were being sold in the United States at less than fair value. There have been no subsequent reviews completed; however, on August 14, 2015 the Department adjusted margins as a result of its determinations under Section 129 of the Uruguay Round Agreements Act pursuant to WTO DS 449. All dumping margins determined in this proceeding have been above *de minimis* levels.²⁹

In addition, pursuant to section 752(c)(1)(B) of the Act, the Department also considered the volume of imports of the subject merchandise in determining whether revocation of the AD order would be likely to lead to continuation or recurrence of dumping. As noted above, when analyzing import volumes for sunset reviews, the Department’s practice is to compare import volumes during the year preceding initiation of the underlying investigation (*i.e.*, 2008 for this sunset review) to import volumes since the issuance of the last continuation notice. As this is the first sunset review, no continuation notice has been issued.

Import volumes of Seamless SLP into the United States from the PRC under the HTSUS numbers listed in the most recent scope of the *Order* in the period since the issuance of the *Order* were significantly lower than import volumes in the year immediately preceding the initiation of the investigation (*i.e.*, 2008) and remain below pre-investigation levels. Specifically, there was no year in which U.S. imports of Seamless SLP from the PRC amounted to more than 16.63 percent of the total volume of U.S. imports during calendar year 2008.³⁰

As noted above, the Department normally determines that revocation of an AD order would be likely to lead to continuation or recurrence of dumping when, among other things, imports of the subject merchandise ceased after issuance of the order. While imports of Seamless SLP from the PRC have not ceased, record evidence shows significantly lower imports over the five-year period examined when compared to pre-initiation import volumes. This indicates that PRC exporters may not be able to maintain pre-investigation import levels without selling merchandise at dumped prices.³¹

Therefore, pursuant to section 752(c)(1) of the Act, because above *de minimis* dumping margins continued after issuance of the order, and the Department found dramatically lower import

²⁹ See *Order*.
³⁰ See *Attachment 1*
³¹ See, *e.g.*, * Certain Activated Carbon From the People’s Republic of China: Final Results of Expedited Sunset Review of the Antidumping Duty Order*, 77 FR 33420 (June 6, 2012), and accompanying Issues & Decision Memorandum at Comment 1.
volumes in the five years examined in comparison to the import volumes prior to the initiation, we find that dumping would be likely to continue or recur if the Order were revoked.

2. Magnitude of the dumping margin likely to prevail

Domestic Interested Parties’ Comments

Domestic interested parties argue that in determining the magnitude of the margins of dumping that would be likely to prevail in the event of revocation that should be reported to the ITC, the Department will normally select the dumping margins established in the original investigation. Specifically, the Department should provide to the ITC the following amended dumping margins: 49.93 percent for Tianjin Pipe International Economic and Trading Corporation, 80.12 percent for Hengyang Steel Tube Group International Trading Inc., 65.03 percent for Xigang Seamless Steel Tube Co., Ltd., 65.03 percent for Jiangyin City Changjiang Steel Pipe Co., Ltd., 65.03 percent for Pangang Group Chengdu Iron & Steel Co., Ltd., 65.03 percent for Yangzhou Lontrin Steel Tube Co., Ltd., 65.03 percent for Yangzhou Chengde Steel Tub Co., Ltd., and PRC-Wide rate of 98.74 percent.

Department Position

Section 752(c)(3) of the Act provides that the Department shall provide to the International Trade Commission (“ITC”) “the magnitude of the margin of dumping that is likely to prevail if the order is revoked or the suspended investigation is terminated.” Normally, the Department will provide to the ITC the weighted-average dumping margin for each company from the investigation, as only those calculated rates reflect 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 rate to report to the ITC. The Department will normally provide a rate based on the “All-Others” rate from the investigation for companies not individually investigated or for companies that did not begin shipping until after the order was issued. However, for the PRC, which the Department considers to be a non-market economy under section 771(18)(A) of the Act, the Department uses an established country-wide rate, which it applies to all imports from exporters that have not established their eligibility for a separate rate. As indicated in the “Legal Framework” portion of this memorandum, the Department’s practice is to not rely on weighted-average dumping margins calculated using the zeroing methodology that was modified in the Final Modification for Reviews.

After considering the dumping margins determined in the investigation, we find that it is appropriate to provide the ITC with the margins determined in the investigation, as amended by the Department’s determinations under Section 129 of the Uruguay Round Agreements Act, pursuant to WTO DS 449. These margins best reflect the behavior of Chinese producers and exporters without the discipline of the Order in place. As noted above, the margins calculated in

33 See SAA at 890.
the investigation were not affected by the denial of offsets because the Order occurred after the Department ceased zeroing in investigations. As a result, we will report to the ITC the margins of dumping likely to prevail listed in the “Final Results of Review” section below.

Final Results of Review

We determine that revocation of the Order on Seamless SLP from the PRC would likely lead to continuation or recurrence of dumping and the magnitude of the margins of dumping likely to prevail would be weighted-average margins up to 98.74 percent.

Recommendation

Based on our analysis of the substantive response received, we recommend adopting the above positions. If this recommendation is accepted, we will publish the final results of this expedited sunset review in the Federal Register and notify the ITC of the Department’s determination.

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

(Date)
Attachment 1

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Percent of 2008 Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>213,348,283</td>
<td>N/A</td>
</tr>
<tr>
<td>2008</td>
<td>402,134,057</td>
<td>N/A</td>
</tr>
<tr>
<td>2009</td>
<td>147,317,824</td>
<td>Initiation Year</td>
</tr>
<tr>
<td>2010</td>
<td>34,632,622</td>
<td>8.61 percent</td>
</tr>
<tr>
<td>2011</td>
<td>56,167,287</td>
<td>13.97 percent</td>
</tr>
<tr>
<td>2012</td>
<td>66,889,341</td>
<td>16.63 percent</td>
</tr>
<tr>
<td>2013</td>
<td>57,080,224</td>
<td>14.19 percent</td>
</tr>
<tr>
<td>2014</td>
<td>54,842,081</td>
<td>13.64 percent</td>
</tr>
</tbody>
</table>

Source:

Int’l Trade Commission
https://dataweb.usitc.gov/

NOTE- The figures above are based on the following HTSUS categories:
