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## Trade Briefs

### AD and CVD Petition Filed Against Drill Pipe from China

On December 30, 2009, five U.S producers filed a petition seeking the imposition of antidumping (AD) and countervailing (CVD) duties against drill pipe from China.

The petition only targets China. The AD/CVD petition was filed by four U.S. producers and one union that represents the domestic industry: VAM Drilling USA, Inc.; Texas Steel Conversions, Inc.; Rotary Drilling Tools; TMK IPSCO; and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC. The petition claims that Petitioners' share of U.S. production of drill pipe accounts for the "great majority" of domestic production *outside* of the production of Grant Prideco, Inc. (which the petitioners believe is the largest domestic producer). The petition asks that the Department of Commerce (the Department) ignore Grant Prideco's output because it is related to foreign producers and has manufacturing facilities in China.

The specific merchandise identified as the target of the petition is described in the petition as follows:

"Drill pipe, including heavy weight drill pipe and drill collars, of iron (other than cast iron) or steel, whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished (with or without tool joints attached) or unfinished (including green tubes), and without regard to the specific chemistry of the steel (i.e., carbon, alloy or stainless steel). The scope does not include tool joints not attached to drill pipe... Drill pipes, each normally about thirty feet long with an outer diameter (OD) ranging from 2.375 to 6.625 inches, are joined to one another by tool joints to form the drill string. Drill pipe can also be produced to approximately forty feet (Range 3) depending on customer drilling rig requirements... Drill pipe is normally produced to conform to American Petroleum Institute (API) specification 5D, 5DP or BSEN ISO 11961. Heavy weight drill pipe and drill collar are normally produced to conform to API specification 7. Other non-API or ISO specifications include NS1 (originally developed by Shell Oil) and IRP (originally developed by the Canadian Government for sour service applications). Many producers have proprietary grades that meet or exceed API specifications.

Several dumping margin calculations were provided in the petition. All were over 100 percent and some were over 200 percent.

The petition identifies numerous subsidy programs that it claims were potentially utilized by Chinese producers and exporters of drill pipe. The petition's subsidy

allegations are broken down into seven distinct categories: (1) preferential loans and interest rates; (2) debt-to-equity swaps, equity infusions, and loan forgiveness; (3) income tax and other direct tax benefit programs; (4) subsidies for foreign invested enterprises (FIEs); (5) indirect tax and tariff exemption programs; (6) government provision of goods and services for less than adequate remuneration; (7) grant programs; and (8) subsidies to drill pipe producers located in economic development zones. Many of the allegations are similar to those previously made.

The petition alleges six distinct preferential lending programs: (1) policy lending to the drill pipe industry; (2) export loans from Policy Banks and SOCBs; (3) treasury bond loans; (4) preferential loans for SOEs; (5) preferential loans for key projects and technologies; and (6) preferential lending to drill pipe producers and exporters classified as "honorable enterprises". The petition asks the Department to reconsider its policy of not investigating pre-accession Chinese subsidies omitted in the investigation into seamless pipe from China. For its allegation into loan and interest forgiveness for state-owned enterprises (SOEs), the petition cites the Department's decision with regard to drill pipe producer, arguing that loan and interest forgiveness constitutes a financial contribution.

The petition alleges two tax programs: (1) income tax credits for domestically owned companies purchasing domestically produced equipment; and (2) reduction in or exemption from fixed assets investment orientation regulatory tax.

The petition alleges four subsidies for FIEs: (1) "Two Free, Three Half Program"; (2) local income tax exemption and reduction programs for "productive" foreign-invested enterprises; (3) preferential tax programs for foreign-invested enterprises recognized as high or new technology enterprises; and (4) income tax reductions for export-oriented foreign-invested enterprises.

The petition alleges three indirect tax and tariff exemption programs: (1) import tariff and VAT exemptions for FIEs and certain domestic enterprises using imported equipment in encouraged industries; (2) deed tax exemption for SOEs undergoing mergers or restructuring; and (3) export subsidies characterized as "VAT Rebates".

The petition alleges seven distinct input subsidies: (1) provision of land to SOEs for LTAR; (2) provision of land use rights within designated geographical areas for LTAR; (3) provision of steel inputs for LTAR; (4) provision of hot-rolled steel for LTAR; (5) provision of electricity for LTAR; (6) provision of electricity and water at LTAR to seamless pipe producers located in Jiangsu Province; and (7) provision of coking coal for LTAR.

The petition alleged five direct grant programs: (1) the State Key Technology Project Fund; (2) export assistance grants; (3) programs to rebate AD legal fees; (4) Government of China and sub-central government grants, loans, and other incentives for development of Famous Export Brands and China World Top Brands; and (5) grants to loss-making SOEs.

The petition alleged subsidies conferred to companies located in Economic and Technological Development Zones, specifically the Tinajin Binhai New Area and the Tianjin Economic and Technological Development Area. Both are alleged to provide reduced or preferential income tax rates. The petition also alleged the existence of subsidies—such as

exemptions from export duties, exemptions from import duties, priority funding from state-owned banks, and income tax breaks—conferred to companies in High-Tech Industrial Development Zones.

The petition highlights the following facts as evidence of material injury by reason of dumped and subsidized imports from China.

- (1) the volume of drill pipe imports from China has increased substantially, from 31,493 NT in 2006 to 64,900 NT in 2008, an increase of 106 percent;
- (2) the share of drill pipe imports from China in comparison to overall domestic sales has increased from 20.8 percent in 2006 to 33.3 percent in 2008, an increase of 60 percent;
- (3) underselling by Chinese producers by substantial margins in every period, with the price disparity becoming particularly pronounced in 2009;
- (4) the decline of domestic industry shipments;
- (5) the lack of profitability even while the market for oil well drilling was good;
- (6) the surge in imports of drill pipe from China, and the resulting inventory overhang that came with decline in demand, have resulted in lost sales and revenues by the U.S. domestic industry;
- (7) the exacerbation of downward pressure on employment due to declining demand, with employment, hours worked, and wages paid all falling precipitously in 2009;
- (8) the loss of sales and revenue for domestic mills as a result of the surge of drill pipe imports from China flooding the market.

The petition's injury section further alleges that there is significant evidence that subject imports threaten material injury to the domestic industry:

- (1) China encourages export of drill pipe through countervailable subsidies;
- (2) China possesses substantial capacity to increase exports to the U.S.;
- (3) the significant rate of increase of the volume and market penetration of Chinese drill pipe supports a finding of threat of material injury;
- (4) Chinese drill pipe imports are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports;

- (5) inventories of Chinese drill pipe threaten the U.S. industry with additional material injury
- (6) the potential for product shifting is significant;
- (7) Chinese drill pipe imports are hindering the existing development and production efforts of the U.S. industry.

## Dumping Watch

### Preliminary Results of AD Review re Certain Welded SS Pipes from Korea

On January 7, the Department of Commerce (DOC) gave notice that it had reached preliminary results in the administrative review of the antidumping (AD) duty order on certain welded stainless steel pipes (WSSP) from Korea. This AD duty order on WSSP was published in December 1992. On December 1, 2008, the DOC gave notice of opportunity to request an administrative review of this duty order for the period of December 1, 2007, through November 30, 2008. On December 29, 2008, the DOC received a timely request for review from SeAH Steel Corporation (SeAH), and the DOC subsequently initiated this review on February 2, 2009. And on January 7, the DOC gave notice that it had preliminarily determined that SeAH made sales of WSSP at below normal value during the period of review. The DOC calculated preliminary weighted-dumping margins for SeAH at 5.15%. The DOC will issue final results of this review within 120 days of this publication.

### Federal Register Notices

#### *International Trade Administration*

**Medical Trade Mission to India: March 8-13, 2010.** 75 FR 1029-1031, January 8, 2010.

**[A-533-820] Certain Hot-Rolled Carbon Steel Flat Products from India:** Notice of Preliminary Results of Antidumping Duty Administrative Review, and Intent to Rescind in Part 75 FR 1031-1036, January 8, 2010.

**[A-570-900, A-580-855] Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea:** Notice of Anniversary Month and First Opportunity To Request an Administrative Review 75 FR 969-970, January 7, 2010.

**[A-580-810] Certain Welded Stainless Steel Pipes From the Republic of Korea:** Preliminary Results of Antidumping Duty Administrative Review 75 FR 973-977, January 7, 2010.

**[C-533-839] Carbazole Violet Pigment 23 From India:** Preliminary Results of Countervailing Duty Administrative Review 75 FR 977-981, January 7, 2010.

**[A-570-904] Certain Activated Carbon From the People's Republic of China:** Notice of Rescission of Changed Circumstances Review 75 FR 981-982, January 7, 2010.

**[A-552-802] Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam:** Extension of Preliminary Results of Antidumping Duty New Shipper Review 75 FR 844, January 6, 2010.

**[A-570-601] Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China:** Final Results of the 2007-2008 Administrative Review of the Antidumping Duty Order 75 FR 844-846, January 6, 2010.

**[C-570-913] Certain New Pneumatic Off-the-Road Tires From the People's Republic of China:** Partial Rescission of Countervailing Duty Administrative Review 75 FR 846-847, January 6, 2010.

**[A-570-947] Certain Steel Grating From the People's Republic of China:** Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination 75 FR 847-856, January 6, 2010.

**Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation;** Advance Notification of Sunset Reviews 75 FR 339, January 5, 2010.

**[A-570-890] Wooden Bedroom Furniture From the People's Republic of China:** Rescission of Antidumping Duty New Shipper Review 75 FR 339-340, January 5, 2010.

**[A-570-831] Fresh Garlic From the People's Republic of China:** Initiation of New Shipper Reviews 75 FR 343-344, January 5, 2010.

**Initiation of Five-Year ("Sunset") Review** 75 FR 103-104, January 4, 2010.

**Manufacturing & Services' Sustainable Manufacturing Initiative; Update** 75 FR 104-106, January 4, 2010.

*International Trade Commission*

**[Investigation No. 337-TA-657] Certain Automotive Multimedia Display and Navigation Systems, Components Thereof, and Products Containing Same;** Notice of Commission Determination To Grant the Joint Motion To Terminate the Investigation on the Basis of Settlement 75 FR 1080-1081, January 8, 2010.

**[Investigation No. 731-TA-1063, 1064, 1066-1068 (Review)] Frozen Warmwater Shrimp From Brazil, China, India, Thailand, and Vietnam** 75 FR 1078-1080, January 8, 2010.

**[Investigation Nos. 701-TA-474 and 731-TA-1176 (Preliminary)] Drill Pipe From China** 75 FR 877-878, January 6, 2010.

**[Inv. No. 337-TA-697] In the Matter of: Certain Authentication Systems, Including Software and Handheld Electronic Devices;** Notice of Investigation 75 FR 448-449, January 5, 2010.

**[Inv. No. 337-TA-699] In the Matter of Certain Liquid Crystal Display Devices and Products Containing the Same;** Notice of Investigation 75 FR 445-446, January 5, 2010.

**[Inv. No. 337-TA-700] In the Matter of Certain MEMS Devices and Products Containing Same;** Notice of Investigation 75 FR 449-450, January 5, 2010.

**[Inv. No. 337-TA-698] In the Matter of Certain DC--DC Controllers and Products;** Notice of Investigation 75 FR 446-447, January 5, 2010.

**[Investigation No. 337-TA-630] In the Matter of Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same (III);** Notice of the Commission's Final Determination of No Violation of Section 337; Termination of the Investigation 75 FR 447-448, January 5, 2010.

*Office of the U.S. Trade Representative*

**[Docket No. WTO/DS399] WTO Dispute Settlement Proceeding Regarding United States--Certain Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tires From China** 75 FR 1110-1112, January 8, 2010.

**Generalized System of Preferences (GSP):** Notice Regarding the Acceptance of Petitions To Grant a Competitive Need Limitation (CNL) Waiver 75 FR 505-506, January 5, 2010.

**The Week Ahead**

- On January 14, the ITC will hold a hearing on the five-year sunset review of the AD duty order on pressure sensitive plastic tape from Italy.