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DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

[A-570-943]

Certain Oil Country Tubular Goods from the People's Republic of China: Preliminary Results of the First Antidumping Duty Administrative Review, Rescission in Part and Intent to Rescind in Part

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

SUMMARY: In response to requests from interested parties, the Department of Commerce (“the Department”) is conducting the first administrative review of the antidumping duty order on oil country tubular goods (“OCTG”) from the People's Republic of China (“PRC”), covering the period May 19, 2010, through April 30, 2011.¹

We have preliminarily determined that Jiangsu Chengde Steel Tube Share Co., Ltd. (“Jiangsu Chengde”), Taizhou Chengde Steel Tube Co., Ltd. (“Taizhou Chengde”), and Yangzhou Chengde Steel Tube Co., Ltd. (“Yangzhou Chengde”) (collectively “the Chengde Group”) are a single entity for purposes of this administrative review² and that the Chengde Group made sales of subject merchandise in the United States at prices below normal value (“NV”) during the period of review (“POR”). If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection (“CBP”) to assess antidumping duties on all appropriate entries of subject merchandise during the POR. The Department is rescinding this administrative review, in part, for 18 respondents with existing separate rate status for which the request for review has been timely withdrawn. Further, the

¹ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 76 FR 24460 (May 2, 2011).

² See below Affiliation section; see also the Department's memorandum titled “Jiangsu Chengde Steel Tube Share Co., Ltd. - Affiliations and Collapsing,” dated concurrent with this notice.

Department preliminarily intends to rescind this administrative review, in part, for 33 additional respondents who do not have separate rate status for which the request for review has been timely withdrawn.

We invite interested parties to comment on these preliminary results. Parties who submit comments are requested to submit with each argument a summary of the argument. We intend to issue the final results no later than 120 days from the date of publication of this notice, pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (“the Act”).

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

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

Background

On May 21, 2010, the Department published in the *Federal Register* the antidumping duty order on OCTG from the PRC.³ On May 2, 2011, the Department published in the *Federal Register* a notice of opportunity to request an administrative review of the antidumping duty order on OCTG from the PRC. On May 26, 2011, in accordance with 19 CFR 351.213(b)(2), Jiangsu Chengde, a foreign producer and exporter of the subject merchandise, requested that the Department review its sales of subject merchandise during the POR.⁴ On May 31, 2011, United States Steel Corporation (“U.S. Steel”)⁵ requested that the Department conduct an administrative

³ See *Certain Oil Country Tubular Goods From the People’s Republic of China: Amended Final Determination of Sales at Less Than Fair Value and Antidumping Duty Order*, 75 FR 28551 (May 21, 2010) (“Order”).

⁴ See Letter from Jiangsu Chengde, “Oil Country Tubular Goods from China; Request for Administrative Review,” dated May 26, 2011.

⁵ The petitioners in the investigation consisted of eight parties. Not all eight parties have entered an appearance in this review. TMK IPSCO, Wheatland Tube Company, V&M Star, and Maverick Tube Corporation (“Maverick”) are interested parties. Only U.S. Steel requested this administrative review.

review of the exports of subject merchandise made by 53 exporters/producers during the POR.⁶ On June 28, 2011, the Department initiated an administrative review of the antidumping duty order on OCTG from the PRC for the POR with regard to the 53 named exporters/producers.⁷ On September 19, 2011, the Department selected Jiangsu Chengde and Faray Petroleum Steel Pipe Co., Ltd. (“Faray”) as mandatory respondents in this review.⁸ During July and August 2011, four companies submitted separate rate certifications (including Jiangsu Chengde) and two companies submitted separate rate applications.⁹

On September 19, 2011 the Department issued its antidumping duty questionnaire to Jiangsu Chengde and Faray. On September 23, 2011, U.S. Steel withdrew its request for review for all parties named in the *Initiation Notice* except Jiangsu Chengde.¹⁰ The Department issued supplemental questionnaires to Jiangsu Chengde on December 12, 2011, February 15, 2012, and April 10, 2012. On February 16, 2012, U.S. Steel submitted comments on Jiangsu Chengde’s initial questionnaire response and its response to the December 12, 2011 supplemental questionnaire.

On November 10, 2011, the Department requested that Import Administration’s Office of Policy provide a list of surrogate countries for this review.¹¹ On November 28, 2011, the Office of Policy issued its list of surrogate countries.¹² On December 5, 2011, the Department issued a letter to interested parties seeking comments on surrogate country selection and surrogate values

⁶ See Letter from U.S. Steel, “Oil Country Tubular Goods from the People’s Republic of China; Request for Administrative Review,” dated May 31, 2011.

⁷ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 76 FR 37781 (June 28, 2011) (“*Initiation Notice*”). See also “*Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part*, 76 FR 53404 (August 26, 2011) in which the POR was corrected from November 17, 2009 through April 30, 2011 to May 19, 2010 through April 30, 2011.

⁸ See the memorandum “Selection of Mandatory Respondents” dated September 19, 2011.

⁹ The two companies that submitted separate rate applications also received separate rate status in OCTG’s less than fair value investigation.

¹⁰ See Letter from the U.S. Steel “Certain Oil Country Tubular Goods from the People’s Republic of China: Withdrawal of Request for Administrative Review,” dated September 23, 2011.

¹¹ See Memorandum to Carole Showers, Director, Office of Policy, “Administrative Review of Oil Country Tubular Goods from the People’s Republic of China: Selection of Surrogate Countries,” dated November 10, 2011.

¹² See Memorandum from Carole Showers, Director, Office of Policy, “Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods (“OCTG”) from the People’s Republic of China (“China”),” dated November 28, 2011 (“Surrogate Country List”).

(“SVs”).¹³ On December 19, 2011, TMK IPSCO, Wheatland Tube Company, V&M Star, Maverick Tube Corporation (“Maverick”) and U.S. Steel provided surrogate country selection comments. On January 18, 2012, these parties also provided surrogate value comments. No interested party submitted rebuttal comments with respect to surrogate country selection or SVs.

On January 19, 2012, the Department extended the time period for completion of the preliminary results of this review by 90 days until April 30, 2012.¹⁴ On April 24, 2012, the Department extended the time period for completing the preliminary results of review by an additional 30 days until May 30, 2012.¹⁵

Period of Review

The POR is May 19, 2010, through April 30, 2011.

Scope of the Order

The merchandise covered by the order consists of certain 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 merchandise covered by the order also covers OCTG coupling stock. Excluded from the order are casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

¹³ See Letter to Interested Parties, “First Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods from the People's Republic of China: Request for Comments on the Selection of a Surrogate Country and Surrogate Values,” dated December 5, 2011.

¹⁴ See *Oil Country Tubular Goods From the People's Republic of China: Extension of Time for the Preliminary Results of the Antidumping Duty Administrative Review*, 77 FR 2700 (January 19, 2012).

¹⁵ See *Oil Country Tubular Goods From the People's Republic of China: Extension of Time for the Preliminary Results of the Antidumping Duty Administrative Review*, 77 FR 24464 (April 24, 2012).

The merchandise covered by the order 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 order 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 order is dispositive.

Rescission of Review in Part

Pursuant to 19 CFR 351.213(d)(1), the Secretary will rescind an administrative review, in whole or in part, if a party that requested the review withdraws the request within 90 days of the date of publication of the initiation notice of the requested review. For all but one of the 53 companies for which the Department initiated an administrative review, U.S. Steel was the only party that requested the review. On September 23, 2011, U.S. Steel timely withdrew its review

requests for 52 of the 53 companies for which the U.S. Steel was the only party that had requested an administrative review.

For those companies named in the *Initiation Notice* that received separate rate status in the *Final Determination* other than Jiangsu Chengde, in accordance with 19 CFR 351.213(d)(1), we are rescinding this administrative review. These companies are: (1) Anhui Tianda Oil Pipe Co., Ltd.; (2) Benxi Northern Steel Pipes Co., Ltd.; (3) Faray Petroleum Steel Pipe Co., Ltd.; (4) Freet Petroleum Equipment Co., Ltd. of Shengli Oil Field, The Thermal Recovery Equipment, Zibo Branch; (5) Hengyang Steel Tube Group Int'l Trading Inc; (6) Jiangyin City Changjiang Steel Pipe Co., Ltd.; (7) Shandong Dongbao Steel Pipe Co., Ltd.; (8) Shandong Molong Petroleum Machinery Co., Ltd.; (9) Shengli Oil Field Freet Petroleum Equipment Co., Ltd.; (10) Shengli Oil Field Freet Petroleum Steel Pipe Co., Ltd.; (11) Shengli Oil Field Highland Petroleum Equipment Co., Ltd.; (12) Tianjin Pipe International Economic & Trading Corp.; (13) Tianjin Tiangang Special Petroleum Pipe Manufacturer Co., Ltd.; (14) Wuxi Baoda Petroleum Special Pipe Manufacture Co., Ltd.; (15) Wuxi Seamless Oil Pipe Co., Ltd.; (16) Wuxi Zhenda Special Steel Tube Manufacturing Co., Ltd.; (17) Xigang Seamless Steel Tube Co., Ltd.; and (18) Yangzhou Lontrin Steel Tube Co., Ltd.

Intent to Rescind the Review in Part

Petitioner's timely request for an administrative review included a request to conduct an administrative review of multiple companies that do not have separate rates. As described above, the U.S. Steel withdrew its review request covering these companies. Because these companies have not established their eligibility for a separate rate, these companies will continue to be considered part of the PRC-wide entity. Although the PRC-wide entity is not under review for these preliminary results, the possibility exists that the PRC-wide entity could be under review for the final results of this administrative review. Therefore, we are not rescinding this review with respect to these companies at this time but we intend to rescind this review with respect to

the following companies in the final results if the PRC-wide entity is not reviewed: (1) Baoshan Iron & Steel Co., Inc.; (2) Baosteel Group; (3) Cangzhou Huaye Metal Products Co., Ltd.; (4) Cangzhou Qiancheng Steel Pipe Co.; (5) Freet Petroleum Equipment Group Co., Ltd.; (6) Guangzhou Juyi Steel Pipes Co., Ltd.; (7) Hebei Machinery Import & Export Co., Ltd.; (8) Hebei Zhongyuan Steel Pipe Manufacturing Co., Ltd.; (9) Hefei Zijin Steel Tube Manufacturing Co., Ltd.; (10) Hengyang Valin MPM Tube Co., Ltd.; (11) Hengyang Valin Steel Tube Co., Ltd.; (12) Huai'an Zhenda Steel Tube Manufacturing Co., Ltd.; (13) Huludao Steel Pipe Industrial Co., Ltd.; (14) Huludao City Steel Pipe Industrial Co., Ltd.; (15) Jiangsu Changbao Precision Tube Co., Ltd.; (16) Jiangsu Changbao Steel Tube Co., Ltd.; (17) Jiangsu Yulong Steel Pipe Co., Ltd.; (18) Jiangyin Chuangzin Oil Pipe; (19) Jiangyin City Seamless Steel Tube Factory; (20) Jinan Meide Casting Co., Ltd.; (21) Northern Tool Equipment Co., Ltd.; (22) Shandong Molong Group Co.; (23) Shengli Oil Field Freet Import & Export Co., Ltd.; (24) Thermal Recovery Equipment Manufacturer of Shengli Oil Field Freet Petroleum Equipment Co.; Ltd., (25) Tianjin Pipe Group Co., Ltd.; (26) Tianjin Shuangjie Pipe Manufacturing Co., Ltd.; (27) Wuxi Fastube Industry Co.; (28) Wuxi Huayou Special Steel Co., Ltd.; (29) Wuxi Seamless Special Pipe Co., Ltd.; (30) Xi'an Meixinte Industrial & Trading Co., Ltd.;¹⁶ (31) Yantai Yuanhua Steel Tubes Co., Ltd.; (32) ZhangJiaGang ZhongYuan Pipe-Making Co.; and (33) Zhejiang Jianli Enterprise Co., Ltd.

Review of Yangzhou Chengde

U.S. Steel requested a review of Yangzhou Chengde and subsequently withdrew its review request with respect to this company. However, as described above and in the affiliation-collapsing memorandum,¹⁷ the Department has collapsed Yangzhou Chengde, Jiangsu Chengde,

¹⁶ Yangzhou Chengde was covered by the initiation notice and did not receive a separate rate in the less-than-fair-value, however it is being collapsed with Jiangsu Chengde, the mandatory respondent in this review.

¹⁷ See the Department's memorandum titled "Jiangsu Chengde Steel Tube Share Co., Ltd. - Affiliations and Collapsing" ("Affiliation/Collapsing Memo") dated concurrently with the date of signature of this notice.

and Taizhou Chengde into a single entity for purposes of this administrative review. Therefore, Yangzhou Chengde continues to be subject to review in this segment of the proceeding as part of the Chengde Group.

Non-Market Economy Country Status

No interested party contested the Department's treatment of the PRC as a non-market economy ("NME") country in this administrative review, and the Department has treated the PRC as an NME country in all past antidumping duty investigations and administrative reviews.¹⁸ Designation as an NME country remains in effect until it is revoked by the Department.¹⁹ As such, we continue to treat the PRC as an NME in this proceeding.

Surrogate Country

When the Department conducts an administrative review of imports from an NME country, section 773(c)(1) of the Act directs it to base NV, in most circumstances, on the NME producer's factors of production ("FOP"), valued in a surrogate market economy ("ME") country or countries considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department shall utilize, to the extent possible, the prices or costs of FOPs in one or more ME countries that are: (A) at a level of economic development comparable to that of the NME country; and (B) significant producers of comparable merchandise.²⁰ The sources of the SVs are discussed under the "Factor Valuations" section below and in the Factor Valuation Memorandum,²¹ which is on file in the Central Records Unit, Room 7046 of the main Department building.

¹⁸ See e.g., *Chlorinated Isocyanurates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 73 FR 52645 (September 10, 2008); see also *Folding Metal Tables and Chairs from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 74 FR 3560 (January 21, 2009).

¹⁹ See section 771(18)(C)(i) of the Act.

²⁰ See Import Administration Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004).

²¹ See Factor Valuation Memorandum.

In examining which country to select as its primary surrogate country for this proceeding, the Department first determined that Colombia, Indonesia, Peru, the Philippines, South Africa, Thailand, and Ukraine are countries comparable to the PRC in terms of economic development.²² Once the Department has identified countries that are economically comparable to the PRC, it identifies those countries which are significant producers of comparable merchandise.

TMK IPSCO, Wheatland Tube Company, and V&M Star submitted a letter stating that Indonesia is an appropriate surrogate country because: (1) Indonesia is at a level of economic development comparable to the PRC; (2) Indonesia is a significant producer of identical and comparable merchandise; and (3) the government of Indonesia has published publicly available import data covering the entire POR from which values for the major FOPs may be derived.²³

U.S. Steel submitted a letter stating that Indonesia is the appropriate surrogate country because: (1) Indonesia is at a level of economic development comparable to the PRC; (2) Indonesia is a significant producer of comparable merchandise; (3) Indonesia data meets the Department's criteria: the data allows the Department to calculate SVs using period-wide average prices that are publicly available, specific to the inputs in question, net of taxes and import duties, and contemporaneous with the POR.²⁴ In addition, U.S. Steel states that the Department determined in the investigation that Indonesian import data provided the best available information to value the "most important input in the production of OCTG, steel billets."²⁵ Moreover, U.S. Steel contends that financial statements will show that that surrogate financial ratios can be calculated using Indonesian financial statements that provide ample, contemporaneous financial data from producers of tubular products with physical characteristics, end uses, and production processes similar to those of OCTG. In addition, U.S. Steel contends

²² See Surrogate Country List.

²³ See Letter from TMK IPSCO, Wheatland Tube Company, and V&M Star, "Oil Country Tubular Goods from the People's Republic of China," dated December 19, 2011.

²⁴ See Letter from U.S. Steel, "Oil Country Tubular Goods from the People's Republic of China: Surrogate Country Selection," dated January 6, 2012 ("U.S. Steel's SV Letter").

²⁵ U.S. Steel cites the *Final Determination*, and accompanying Issues and Decision Memorandum at Comment 20.

that the Department has recognized that the financial data available for Indonesia “provide sufficient detail” to calculate surrogate financial ratios.²⁶

Maverick submitted a letter incorporating by reference the December 19, 2011, comments made by TMK IPSCO, Wheatland Tube Company, and V&M Star stating that Indonesia is an appropriate surrogate country. Maverick states that in the *Final Determination*, India was the primary surrogate country but India is no longer designated on the Surrogate Country List for the PRC. In addition, Maverick states that in the *Final Determination* the Department selected Indonesia as the source of the data used to calculate the SV for steel billets, which it claims comprises the vast majority of the cost of production of OCTG. Maverick contends that by doing so, the Department, for all practical purposes, indicated that Indonesia was the appropriate source of SVs for all primary material inputs.²⁷

After evaluating interested parties’ comments, the Department has determined that Indonesia is the appropriate surrogate country to use in this review in accordance with section 773(c)(4) of the Act, based on the following: (1) Indonesia is at a level of economic development comparable to that of the PRC;²⁸ (2) Indonesia, in terms of total value of net exports, is a significant producer of comparable merchandise;²⁹ and (3) Indonesian SVs are available to value all of the FOPs reported by the Chengde Group, and in accordance with the Department’s preference, this data represent non-export average values and are contemporaneous with the POR, product-specific, and tax-exclusive.

Therefore, because Indonesia represents the experience of producers of comparable merchandise operating in a surrogate country, and provides the best, and only, available information on the

²⁶ U.S. Steel cites *Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 74 FR 16838 (April 13, 2009) and accompanying Issues and Decision memorandum at comment 1.

²⁷ See Letter from Maverick, “Oil Country Tubular Goods from the People’s Republic of China: Comments on Surrogate Country Selection,” dated January 6, 2012.

²⁸ See Surrogate Country List.

²⁹ See U.S. Steel’ SV Letter.

record of this review, we have selected Indonesia as the surrogate country. Accordingly, we have calculated NV using Indonesian import data to value Chengde's FOPs. We have obtained and relied upon publicly available information to value all FOPs and factory overhead, sales general and administrative expenses, and profit ratios.³⁰ In accordance with 19 CFR 351.301(c)(3)(ii), interested parties may submit publicly available information to value the FOPs within 20 days after the date of publication of the preliminary results of review.³¹

Affiliation

Based on the evidence presented in Jiangsu Chengde's questionnaire responses, we preliminarily find that Jiangsu Chengde is affiliated with Yangzhou Chengde and Taizhou Chengde, both of which are capable of producing subject merchandise, pursuant to sections 771(33)(F) of the Act. In addition, based on the information presented in Jiangsu Chengde's questionnaire responses, we preliminarily find that Jiangsu Chengde, Taizhou Chengde, and Yangzhou Chengde, should be collapsed for the purposes of this administrative review. This finding is based on the determination that: 1) Jiangsu Chengde, Yangzhou Chengde, and Taizhou Chengde are affiliated; 2) Jiangsu Chengde is a producer of subject merchandise; 3) Yangzhou Chengde, and Taizhou Chengde are capable of producing merchandise under consideration and no retooling would be necessary in order to restructure manufacturing priorities; and 4) there is significant potential for manipulation of price or production among the parties.³² For further discussion, *see* the Affiliation/Collapsing Memo.

Separate Rates

³⁰ Other than with respect to ocean freight, Chengde Group did not report any MEpurchase prices for its reported FOPs.

³¹ In accordance with 19 CFR 351.301(c)(1), for the final determination of this review, interested parties may submit factual information to rebut, clarify, or correct factual information submitted by an interested party less than ten days before, on, or after the applicable deadline for submission of such factual information. However, the Department notes that 19 CFR 351.301(c)(1) permits new information only insofar as it rebuts, clarifies, or corrects information recently placed on the record. The Department generally cannot accept the submission of additional, previously absent-from-the-record alternative SV information pursuant to 19 CFR 351.301(c)(1). *See Glycine from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Rescission, in Part*, 72 FR 58809 (October 17, 2007), and accompanying Issues and Decision Memorandum at Comment 2.

³² *See* 19 C.F.R. Sec. 351.401(f)(1) and (2).

A designation of a country as an NME remains in effect until it is revoked by the Department.³³ In proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the country are subject to government control and, thus, should be assessed a single weighted-average dumping margin.³⁴

In the *Initiation Notice*, the Department notified parties of the application and certification process by which exporters may obtain separate rate status in NME proceedings.³⁵ It is the Department's policy to assign all exporters of subject merchandise in an NME country a single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate. Exporters can demonstrate this independence through the absence of both *de jure* and *de facto* governmental control over export activities. The Department analyzes each entity exporting the subject merchandise under a test arising from the *Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China*, 56 FR 20588 (May 6, 1991) ("*Sparklers*"), as further developed in *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide From the People's Republic of China*, 59 FR 22585 (May 2, 1994) ("*Silicon Carbide*"). However, if the Department determines that a company is wholly foreign-owned or located in a ME, then a separate rate analysis is not necessary to determine whether it is independent from government control.³⁶

Separate Rate Applicants – Withdrawn Request for Review

Three companies other than the Chengde Group submitted separate rate certifications and two companies submitted separate rate applications. However, because U.S. Steel withdrew its request for review of these companies and no other company requested a review of them, their

³³ See section 771(18)(C)(i) of the Act.

³⁴ See e.g., *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China*, 71 FR 53079 (September 8, 2006) ("*Lined Paper from the PRC*"); see also *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).

³⁵ See *Initiation Notice*.

³⁶ See e.g., *Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles From the People's Republic of China*, 72 FR 52355, 52356 (September 13, 2007).

separate rate certifications/applications have not been considered for purposes of this administrative review.

Separate Rate Recipients

Jiangsu Chengde reported that it is a wholly Chinese-owned company.³⁷ Therefore, the Department must analyze whether it can demonstrate the absence of both *de jure* and *de facto* governmental control over its export activities. Evidence on the record shows that Taizhou Chengde is also a wholly Chinese-owned company. Yangzhou Chengde is a joint venture with Chinese and Hong Kong ownership. Taizhou Chengde and Yangzhou Chengde are not individually eligible for separate rate consideration in this review because evidence on the record indicates they had no shipments of subject merchandise during the POR. However, for these preliminary results, the Department determines that the Chengde Group, comprised of Jiangsu Chengde, Taizhou Chengde, and Yangzhou Chengde is eligible for separate rate status.

a. Absence of De Jure Control

The Department considers the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies.³⁸

The evidence provided by the Chengde Group supports a preliminary finding of the absence of *de jure* governmental control based on the following: (1) an absence of restrictive stipulations associated with their businesses and export licenses; (2) applicable legislative

³⁷ See Jiangsu Chengde's section A questionnaire response ("AQR"), dated October 20, 2011 at page A-2.

³⁸ See *Sparklers*, 56 FR at 20589.

enactments decentralizing control of companies; and (3) formal measures by the government decentralizing control of companies.³⁹

b. Absence of De Facto Control

Typically, the Department considers four factors in evaluating whether each respondent is subject to *de facto* government control of its export functions: (1) whether the export prices (“EP”) are set by or are subject to the approval of a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses.⁴⁰ The Department has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of governmental control, which would preclude the Department from assigning separate rates.

The evidence provided by the Chengde Group supports a preliminary finding of the absence of *de facto* of government control based on the following: (1) the absence of evidence that the EPs are set by or are subject to the approval of a government agency;⁴¹ (2) the respondents have authority to negotiate and sign contracts and other agreements;⁴² (3) the respondents have autonomy from the government in making decisions regarding the selection of management;⁴³ and (4) the respondents retain the proceeds of their export sales and make independent decisions regarding disposition of profits or financing of losses.⁴⁴

³⁹ See Foreign Trade Law of the People’s Republic of China, contained in Jiangsu Chengde’s AQR, at Exhibit A-5 and Company Law of the People’s Republic of China at Exhibit A-4.

⁴⁰ See *Silicon Carbide*, 59 FR at 22587; see also *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People’s Republic of China*, 60 FR 22544, 22545 (May 8, 1995).

⁴¹ See Jiangsu Chengde’s AQR, at A-7 – A-8 and Exhibit A-9.

⁴² *Id.*

⁴³ See Jiangsu Chengde’s AQR, at A-9 – A-10 and Exhibit A-3.

⁴⁴ See Jiangsu Chengde’s AQR at A-11.

Therefore, the evidence placed on the record of this review by the Chengde Group demonstrates an absence of *de jure* and *de facto* government control with respect to the Chengde Group's exports of the merchandise under review, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Accordingly, we have determined that Jiangsu Chengde has demonstrated its eligibility for a separate rate.⁴⁵

Fair Value Comparisons

To determine whether sales of OCTG to the United States by the Chengde Group were made at less than NV, the Department compared EP to NV, as described in the "Export Price" and "Normal Value" sections of this notice. In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings: Final Modification*.⁴⁶ In particular, the Department compared monthly weighted-average EPs with monthly weighted-average normal values and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

Export Price

In accordance with section 772(a) of the Act, we used EP for all sales reported by the Chengde Group. We calculated EP based on the packed prices to unaffiliated purchasers in, or for exportation to, the United States. We made deductions, as appropriate, for any movement expenses (*e.g.*, foreign inland freight from the plant to the port of exportation, domestic brokerage, international freight to the port of importation, etc.) in accordance with section 772(c)(2)(A) of the Act. Where foreign inland freight or foreign brokerage and handling fees were provided by PRC service providers or paid for in renminbi, we based those charges on

⁴⁵ Yangzhou Chengde and Taizhou Chengde, which are part of the collapsed entity, are not eligible for separate rates because they had no shipments of subject merchandise during the POR.

⁴⁶ See *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings: Final Modification*, 77 FR 8101 (February 14, 2012) ("*Final Modification for Reviews*").

surrogate value rates from Indonesia. *See* “Factor Valuation” section below for further discussion of surrogate value rates.

In accordance with 19 CFR 351.408(c)(1), the Department will normally use publicly available information to find an appropriate SV to value FOPs, but when a producer sources an input from a ME and pays for it in ME currency, the Department may value the factor using the actual price paid for the input.⁴⁷ The Chengde Group reported that it purchased international freight services from ME suppliers for transportation of the subject merchandise to the United States and paid for it in a market economy currency.⁴⁸ However, the Chengde Group in fact purchased its ocean freight from a NME provider who contracted from an ME freight provider. Therefore, because the Chengde Group purchased the ocean freight services from a NME supplier, for these preliminary results we are valuing ocean freight using an SV.⁴⁹

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using a factors of production methodology if the merchandise is exported from an NME country and the Department finds that the available information does not permit the calculation of NV using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. When determining NV in an NME context, the Department will base NV on FOPs because the presence of government controls on various aspects of these economies renders price comparisons and the calculation of production costs invalid under our normal methodologies. The Department’s questionnaire requires that the Chengde Group provide information regarding the weighted-average FOPs across all of the company’s plants and/or suppliers that produce the

⁴⁷ *See* 19 CFR 351.408(c)(1); *see also* *Shakeproof Assembly Components, Div. of Ill. Tool Works, Inc. v. United States*, 268 F.3d 1376, 1382-1383 (Fed. Cir. 2001) (affirming the Department’s use of market-based prices to value certain FOPs).

⁴⁸ *See* Jiangsu Chengde’s section C questionnaire response at page C-24 and Exhibit C-4.

⁴⁹ *See* Jiangsu Chengde’s supplemental questionnaire response dated May 2, 2012 at 3 and Exhibits S3-4, S3-5 and S3-6. *See also* *Certain Stilbenic Optical Brightening Agents From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 76 FR 68148 (November 3, 2011).

merchandise under consideration, not just the FOPs from a single plant or supplier. This methodology ensures that the Department's calculations are as accurate as possible.⁵⁰

We calculated NV based on FOPs in accordance with section 773(c)(3) and (4) of the Act and 19 CFR 351.408(c). The FOPs include but are not limited to: (1) hours of labor required; (2) quantities of raw materials employed; (3) amounts of energy and other utilities consumed; and (4) representative capital costs. The Department used FOPs reported by the Chengde Group for direct materials, energy, labor, and packing materials.

The Chengde Group reported that it generates steel scrap during the production process of merchandise under consideration and requested an offset for this scrap.⁵¹ However, the Department's policy is to grant scrap offsets for scrap produced, not sold, during the POR.⁵² The Chengde Group reported that it does not track scrap when it is produced but collects scrap and weighs it when it is sold.⁵³ Because the Chengde Group has not established that the steel scrap it sold during the POR was produced during the POR, for the preliminary results, the Department has determined that the Chengde Group is not entitled to a byproduct offset for steel scrap in its margin calculation.

Factor Valuations

In accordance with section 773(c) of the Act, the Department calculated NV based on FOPs reported by the Chengde Group for the POR. To calculate NV, the Department multiplied the reported per-unit factor consumption quantities by publicly available Indonesian SVs. In selecting the SVs, the Department considered the quality, specificity, and contemporaneity of the data. The Department adjusted input prices by including freight costs to make them delivered

⁵⁰ See e.g., *Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings From the People's Republic of China*, 68 FR 61395 (October 28, 2003), and accompanying Issue and Decision Memorandum at Comment 19.

⁵¹ See Jiangsu Chengde's section D questionnaire response at pages D-14 – D-15.

⁵² See *Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China: Final Results of the 2007-2008 Administrative Review of the Antidumping Duty Order*, 75 FR 8301 (February 24, 2010) and accompanying Issues and Decision memorandum at Comment 10.

⁵³ See Jiangsu Chengde's section D questionnaire response at pages D-14 – D-15.

prices, as appropriate. Specifically, the Department added to Indonesian import surrogate values an Indonesian surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory. This adjustment is in accordance with the decision of the U.S. Court of Appeals for the Federal Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997). A detailed description of all SVs used to value the Chengde Group's reported FOPs may be found in the Factor Valuation Memorandum.

For the preliminary results, in accordance with the Department's practice, except where noted below, we used data from Indonesian import statistics in the Global Trade Atlas ("GTA") and other publicly available Indonesian sources in order to calculate SVs for the Chengde Group's FOPs (*i.e.*, direct materials, energy, and packing materials) and certain movement expenses. In selecting the best available information for valuing FOPs in accordance with section 773(c)(1) of the Act, the Department's practice is to select, to the extent practicable, SVs which are non-export average values, most contemporaneous with the POR, product-specific, and tax-exclusive.⁵⁴ The record shows that data in the Indonesian import statistics, as well as those from the other Indonesian sources, are contemporaneous with the POR, product-specific, and tax-exclusive.⁵⁵ In those instances where we could not obtain publicly available information contemporaneous to the POR with which to value factors, we adjusted the SVs using, where

⁵⁴ See *e.g.*, *Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004).

⁵⁵ See Factor Valuation Memorandum.

appropriate, the Indonesian Producer Price Index (“PPI”) inflators/deflators as published in the International Monetary Fund’s *International Financial Statistics*.⁵⁶

Furthermore, with regard to Indonesian import-based SVs, we have disregarded prices that we have reason to believe or suspect may be subsidized, such as those from South Korea, India, and Thailand. We have found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies and, therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.⁵⁷ We are also guided by the statute’s legislative history that explains that it is not necessary to conduct a formal investigation to ensure that such prices are not subsidized.⁵⁸ Rather, the Department was instructed by Congress to base its decision on information that is available to it at the time it is making its determination. In accordance with the foregoing, we have not used prices from these countries in calculating SVs using Indonesian import data.

In these preliminary results, the Department calculated the cost of labor using data on industry-specific labor cost from the primary surrogate country (*i.e.*, Indonesia), as described in *Labor Methodologies*. The Department relied on the International Labor Organization (“ILO”) Yearbook of Labor Statistics (“Yearbook”) Chapter 6A labor cost data for Indonesia for the year 2008, because this is the most recent Chapter 6A data available for Indonesia. The Department further determined that the two-digit description under ISIC-Revision 3-D (“28-Manufacture of Fabricated Metal Products”) is the best available information because it is specific to the industry being examined and, therefore, is derived from industries that produce comparable merchandise.

⁵⁶ See Factor Valuation Memorandum. See also, *e.g.*, *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 74 FR 9591, 9600 (March 5, 2009) (“*Kitchen Racks Prelim*”), unchanged in *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Final Determination of Sales at Less than Fair Value*, 74 FR 36656 (July 24, 2009) (“*Kitchen Racks Final*”).

⁵⁷ See *Certain Frozen Fish Fillets from the Socialist Republic of Vietnam: Preliminary Results and Preliminary Partial Rescission of Antidumping Duty Administrative Review*, 70 FR 54007, 54011 (September 13, 2005), unchanged in *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of the First Administrative Review*, 71 FR 14170 (March 21, 2006); and *China Nat’l Mach. Import & Export Corp. v. United States*, 293 F. Supp. 2d 1334 (CIT 2003), *affirmed* 104 Fed. Appx. 183 (Fed. Cir. 2004).

⁵⁸ See H.R. Rep. No. 100-576 at 590 (1988).

Accordingly, relying on Chapter 6A of the Yearbook, the Department calculated the labor input using labor cost data reported by Indonesia to the ILO under Sub-Classification 28 of the ISIC-Revision 3-D, in accordance with section 773(c)(4) of the Act. For further information on the calculation of the wage rate.⁵⁹

The ILO data from Chapter 6A of the Yearbook, which was used to value labor, reflects all costs related to labor, including wages, benefits, housing, training, *etc.* Pursuant to *Labor Methodologies*, the Department's practice is to consider whether financial ratios reflect labor expenses that are included in other elements of the respondent's factors of production (*e.g.*, general and administrative expenses).⁶⁰ The financial statements used to calculate financial ratios in this review were sufficiently detailed to allow the Department to isolate labor expenses from other expenses such as selling, general and administrative expenses. Therefore, the Department revised its calculation of surrogate financial ratios consistent with *Labor Methodologies* to exclude items incorporated in the labor wage rate data in Chapter 6A of the ILO data. As a result, bonuses and other forms of compensation included in the ILO's calculation of wages are now excluded from our calculation of labor in our surrogate financial ratios.⁶¹

For these preliminary results the Department did not separately value energy inputs reported by the Chengde Group, *i.e.*, electricity, coal, coal tar, and water because the financial statement used to calculate factory overhead, selling, general and administrative expenses, and profit did not break out energy expenses. Therefore these expenses are included in the calculated financial ratios. Thus, separately valuing energy inputs would result in double-counting.⁶²

⁵⁹ See Memorandum to the File, "2010-2011 Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods from the People's Republic of China: Factor Valuation Memorandum for the Preliminary Results of Review," dated May 30, 2012 ("Factor Valuation Memorandum").

⁶⁰ See *id.* at 36094.

⁶¹ See Factor Valuation Memorandum.

⁶² See *Certain Steel Wheels From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement*

We valued truck freight expenses using data from an Indonesian freight forwarder, PT. Mantap Abiah Abadi, for the month of September 2011.

We valued brokerage and handling expenses using the World Bank publication “Doing Business 2011: Indonesia.”

We valued marine insurance using a price quote for July 2010, which we obtained from RJG Consultants. RJG Consultants is a market-economy provider of marine insurance. We did not inflate this rate since it is contemporaneous with the POR.⁶³

19 CFR 351.408(c)(4) directs the Department to value overhead, general, and administrative expenses (“SG&A”) and profit using non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country. In this administrative review, the Department valued overhead, SG&A using the financial statements of PT Citra Tubindo a manufacturer and service provider for oilfield tubular goods.

Currency Conversion

Where necessary, the Department made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect as certified by the Federal Reserve Bank on the date of the U.S. sale.

Weighted-Average Dumping Margin

The preliminary weighted-average dumping margin is as follows:

Oil Country Tubular Goods from the PRC -2010/11 Administrative Review	
Exporter	Weighted-Average Dumping Margin (percent)
Jiangsu Chengde, Yangzhou Chengde, Taizhou Chengde (collectively, The Chengde Group)	185.84%

of Final Determination, 76 FR 67703, 67713 (November 2, 2011) (“Steel Wheels”).

⁶³ See Factor Valuation Memorandum.

Disclosure and Public Comment

The Department will disclose calculations performed for these preliminary results to the parties within five days of the date of publication of this notice in accordance with 19 CFR 351.224(b). Interested parties may submit written comments no later than 30 days after the date of publication of these preliminary results of review.⁶⁴ Rebuttals to written comments may be filed no later than five days after the written comments are filed.⁶⁵

Any interested party may request a hearing within 30 days of publication of this notice.⁶⁶ Interested parties, who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, filed electronically using Import Administration's Antidumping and Countervailing Duty Centralized Electronic Service System ("IA ACCESS"). Requests should contain the party's name, address, and telephone number, the number of participants, and a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. If a request for a hearing is made, we will inform parties of the scheduled date for the hearing which will be held at the U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230, at a time and location to be determined.⁶⁷ Parties should confirm by telephone the date, time, and location of the hearing. The Department will issue the final results of this administrative review, which will include the results of its analysis of issues raised in the briefs, within 120 days of publication of these preliminary results, in accordance with section 751(a)(3)(A) of the Act.

⁶⁴ See 19 CFR 351.309(c).

⁶⁵ See 19 CFR 351.309(d).

⁶⁶ See 19 CFR 351.310(c).

⁶⁷ See 19 CFR 351.310.

Assessment Rates

Upon issuance of the final results, the Department will determine, and CBP shall assess, antidumping duties on all appropriate entries covered by this review.⁶⁸ The Department intends to issue assessment instructions to CBP 15 days after the publication date of the final results of this review. For any individually examined respondent whose weighted-average dumping margin is above *de minimis* (i.e., 0.50 percent) in the final results of this review, we will calculate importer-specific assessment rates on the basis of the ratio of the total amount of dumping calculated for the importer's examined sales and the total entered value of sales, in accordance with 19 CFR 351.212(b)(1).⁶⁹ Where we calculate a weighted-average dumping margin by dividing the total amount of dumping for reviewed sales to that party by the total sales quantity associated with those transactions, we will direct CBP to assess importer-specific assessment rates based on the resulting per-unit rates. Where an importer- (or customer-) specific *ad valorem* or per-unit rate is greater than *de minimis*, we will instruct CBP to collect the appropriate duties at the time of liquidation.⁷⁰ Where an importer- (or customer-) specific *ad valorem* or per-unit rate is zero or *de minimis*, we will instruct CBP to liquidate appropriate entries without regard to antidumping duties.⁷¹

Cash Deposit Requirements

The following cash deposit requirements will be effective upon publication of the final results of this administrative review for shipments of the subject merchandise from the PRC entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided by sections 751(a)(2)(C) of the Act: (1) for the Chengde Group, which has a separate

⁶⁸ See 19 CFR 351.212(b).

⁶⁹ In these preliminary results, the Department applied the assessment rate calculation method adopted in *Final Modification for Reviews*, i.e., on the basis of monthly average-to-average comparisons using only the transactions associated with that importer with offsets being provided for non-dumped comparisons. See *Antidumping Proceeding: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8103, February 14, 2012.

⁷⁰ See 19 CFR 351.212(b)(1).

⁷¹ See 19 CFR 351.106(c)(2).

rate, the cash deposit rate will be that established in the final results of this review (except, if the rate is zero or *de minimis*, then zero cash deposit will be required); (2) for previously investigated or reviewed PRC and non-PRC exporters not listed above that received a separate rate in a prior segment of this proceeding, the cash deposit rate will continue to be the existing exporter-specific rate; (3) for all PRC exporters of subject merchandise that have not been found to be entitled to a separate rate, the cash deposit rate will be the PRC-wide rate of 99.14 percent; and (4) for all non-PRC exporters of subject merchandise which have not received their own rate, the cash deposit rate will be the rate applicable to the PRC exporter that supplied that non-PRC exporter. These deposit requirements, when imposed, shall remain in effect until further notice.

Notification to Importers

This notice serves as a reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and notice are in accordance with sections 751(a)(1) and 777(i) of the Act and 19 CFR 351.213.

Paul Piquado
Assistant Secretary
for Import Administration

May 30, 2012 _____
(Date)