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March 8, 2017

MEMORANDUM TO: The File

THROUGH: Scot Fullerton
Director
Antidumping and Countervailing Duty Operations, Office VI

FROM: Deborah Scott
International Trade Compliance Analyst
Antidumping and Countervailing Duty Operations, Office VI

SUBJECT: Certain Oil Country Tubular Goods from the Republic of Korea

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The Department is placing the attached document on the record of the above-captioned administrative review.

From: "Navarro, Peter K. EOP/WHO" <{EMAIL ADDRESS REDACTED}>
Date: Thursday, March 2, 2017 at 1:48 PM
To: "Comstock, Earl (Federal)" <{EMAIL ADDRESS REDACTED}>, Wilbur Ross <{EMAIL ADDRESS REDACTED}>
Subject: Recommendation for Action

ACTION, TIME-SENSITIVE

March 2, 2017

Memo to: Secretary of Commerce
From: Director of National Trade Council
Re: Application of Particular Market Situation Protocol in Pending Antidumping Case

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Teneris S.A., which produces oil country tubular goods (OCTG) has a case pending before the Department of Commerce alleging dumping by South Korea. Final determination is scheduled for March 30, with the possibility of an extension to April 12th.

This case is important because it provides Commerce with an important opportunity to potentially exercise new powers granted under the Trade Preferences Extension Act of 2015, which make it easier for industries to demonstrate injury. Expanded powers include the ability to apply the "particular market situation" (PMST) measuring tool to calculate the size of antidumping duties.

In particular, application of PMST methodology may allow Commerce "to reject not only the home market sale price of merchandise under consideration but also two additional metrics of normal value – the third country sale price of merchandise under consideration and cost of production of such merchandise."

In this case, we have a situation in which South Korea appears to be relying on both dumped Chinese hot rolled coil and domestically-produced hot rolled coil to manufacture OCTG at export prices that arguably constitute dumping. Tenaris is at particular risk because it is just completing a new modern OCTG facility in Houston, Texas that, according to a company fact sheet, will "substitute much of Tenaris' South American and Mexican imports for U.S. production."

At present, the US has a successful case against Chinese dumping of hot rolled coil with a roughly 60% margin. Given that hot rolled coil constitutes about 60% of the cost, a logical setting of margin in the Tenaris case would provide for margins at a minimum of about 36%. However, this kind of logic is not operative unless the PMS tool comes into play. Nor would Commerce be able to fully value the size of the Korean subsidies to hot rolled coil production because is it a market economy unless again the tool of PMS is applied. If low margins are set in this case, this would be particularly damaging to Teneris.

This is a case that will be closely watched both by industry and the World Trade Organization. As with many of America's rules governing trade, there appears to be a reluctance with the U.S. bureaucracy to take measures that might be challenged by the WTO. However, PMST appears to be a useful tool to stop both diversionary dumping by non-market economies like China and an undervaluation of Korean subsidies under the guise that it is a market economy.

RECOMMENDATION: The Secretary of Commerce ask for an immediate briefing on the case and the broader implications of the use of PMS methodology by Commerce and consider allowing attendance of the National Trade Council for this.