

hand-held power tools and garden products under FTZ procedures within FTZ 26—Site 20, in Buford, Georgia.

The application was processed in accordance with T/IM procedures, as authorized by FTZ Board Orders 1347 (69 FR 52857, 8/30/2004) and 1480 (71 FR 55422, 9/22/2006), including notice in the **Federal Register** inviting public comment (76 FR 37781, 06/28/2011). The FTZ staff examiner reviewed the application and determined that it meets the criteria for approval under T/IM procedures except for finished products under HTSUS 8465.91 (table, slide and compound miter saws). Pursuant to the authority delegated to the FTZ Board Executive Secretary in the above-referenced Board Orders, the application is approved, with the exception of products under HTSUS 8465.91, effective this date, until August 5, 2013, subject to the FTZ Act and the Board's regulations, including Section 400.28.

Dated: August 5, 2011.

Andrew McGilvray,
Executive Secretary.

[FR Doc. 2011-20569 Filed 8-11-11; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-965 and C-570-966]

Drill Pipe From the People's Republic of China: Initiation of Anti-circumvention Inquiry

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

SUMMARY: In response to a request from VAM Drilling U.S.A., Texas Steel Conversion Inc. and Rotary Drilling Tools (collectively the "Petitioners"), the Department of Commerce (the "Department") is initiating an anti-circumvention inquiry to determine whether certain imports of drill pipe from the People's Republic of China ("PRC") are circumventing the *Drill Pipe Orders*.¹

DATES: Effective Date: August 12, 2011.

FOR FURTHER INFORMATION CONTACT: Paul Walker, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and

Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-0413.

SUPPLEMENTARY INFORMATION:

Background

On June 14, 2011, pursuant to section 781(b) of the Tariff Act of 1930, as amended (the "Act"), and section 351.225(h) of the Department's regulations, the Petitioners submitted a request for the Department to initiate an anti-circumvention inquiry of the Hilong Group of Companies Co., Ltd. ("Hilong")² to determine whether pipe³ and tool joints produced in the PRC, and friction welded together in the United Arab Emirates ("UAE"), which are allegedly products of the PRC exported from the UAE, are circumventing the *Drill Pipe Orders*.⁴ In their request, the Petitioners contend that Hilong's PRC drill pipe facility exports PRC-produced pipe and tool joints to AlMansoori/Hilong in the UAE, which friction welds the pipe to the tools joints, and then exports them to Hilong USA, which enters and sells the drill pipe as UAE origin merchandise. The Petitioners argue that because Hilong's PRC-produced pipe and tool joint are assembled in the UAE, and enter the United States as UAE-origin merchandise which is of the same class or kind as the merchandise covered by the *Drill Pipe Orders*, this constitutes circumvention.

On June 16, 2011, the Petitioners certified that all parties on the scope service list were served with their request. On July 6, 2010, the Department issued a supplemental questionnaire to the Petitioners regarding the request to initiate the anti-circumvention inquiry. On July 13, 2011, the Petitioners provided a response to the Department's supplemental questionnaire.⁵ Hilong did not submit comments regarding the Petitioners' circumvention allegations.

On July 27, 2011, the Department extended the deadline to initiate an anti-circumvention inquiry by 8 days, pursuant to section 351.302(b) of the Department's regulations.⁶ On August 3, 2011, the Department extended the deadline to initiate an anti-circumvention inquiry by 14 days,

pursuant to section 351.302(b) of the Department's regulations.⁷

Scope of the Orders

The products covered by the orders are steel drill pipe, and steel drill collars, whether or not conforming to American Petroleum Institute ("API") or non-API specifications. Included are finished drill pipe and drill collars without regard to the specific chemistry of the steel (*i.e.*, carbon, stainless steel, or other alloy steel), and without regard to length or outer diameter. Also included are unfinished drill collars (including all drill collar green tubes) and unfinished drill pipe (including drill pipe green tubes, which are tubes meeting the following description: seamless tubes with an outer diameter of less than or equal to 6 3/8 inches (168.28 millimeters), containing between 0.16 and 0.75 percent molybdenum, and containing between 0.75 and 1.45 percent chromium). The scope does not include tool joints not attached to the drill pipe, nor does it include unfinished tubes for casing or tubing covered by any other antidumping or countervailing duty order.

The subject products are currently classified in the following Harmonized Tariff Schedule of the United States ("HTSUS") categories: 7304.22.0030, 7304.22.0045, 7304.22.0060, 7304.23.3000, 7304.23.6030, 7304.23.6045, 7304.23.6060, 8431.43.8040 and may also enter under 8431.43.8060, 8431.43.4000, 7304.39.0028, 7304.39.0032, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.49.0015, 7304.49.0060, 7304.59.8020, 7304.59.8025, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050 and 7304.59.8055.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

Initiation of Anti-Circumvention Proceeding

Section 781(b)(1) of the Act provides that the Department may find circumvention of an antidumping duty order when merchandise of the same class or kind subject to the order is completed or assembled in a foreign country other than the country to which the order applies. In conducting anti-circumvention inquiries, under section 781(b)(1) of the Act, the Department will also evaluate whether: (1) The process

¹ See *Drill Pipe from the People's Republic of China: Antidumping Duty Order*, 76 FR 11757 (March 3, 2011); *Drill Pipe from the People's Republic of China: Countervailing Duty Order*, 76 FR 11758 (March 3, 2011) collectively the "*Drill Pipe Orders*."

² This includes Hilong's U.S. affiliate, Hilong USA LLC. ("Hilong USA") and its joint venture affiliate Almansoori/Hilong Petroleum Pipe Company ("Almansoori/Hilong") located in the United Arab Emirates (the "UAE").

³ "Pipe" is heat treated and upset green tube, minus the tool joint. See Circumvention Request at 3.

⁴ See the Petitioners' June 14, 2011 submission ("Circumvention Request") at 1.

⁵ See the Petitioners' July 13, 2011 submission ("Circumvention Request Supplement").

⁶ See Letter to Petitioner, dated July 27, 2011.

⁷ See Letter to Petitioner, dated August 3, 2011.

of assembly or completion in the other foreign country is minor or insignificant; (2) the value of the merchandise produced in the foreign country to which the antidumping duty order applies is a significant portion of the total value of the merchandise exported to the United States; and (3) action is appropriate to prevent evasion of such an order or finding. As discussed below, the Petitioners have provided evidence with respect to these criteria.

A. Merchandise of the Same Class or Kind

The Petitioners state that the *Drill Pipe Orders* cover the drill pipe assembled in the UAE because it is the same class or kind as the drill pipe produced in the PRC. The Petitioners assert that the drill pipe assembled in the UAE contains the same components as the drill pipe produced in the PRC, *i.e.*, green tube which is subsequently heat treated and upset, and tool joints. According to the Petitioners, the only distinction is that the friction welding of the pipe to the tool joint occurs in the UAE instead of the PRC. The Petitioners provided affidavits, as well as an e-mail from one of the Petitioner's customers, which indicate that Hilong USA has imported merchandise identical to that which is subject to the *Drill Pipe Orders*.⁸ Since the merchandise being imported into the United States from the UAE is physically identical to the subject merchandise from the PRC, pursuant to section 781(b)(1)(A)(i) of the Act, this drill pipe is of the same class or kind as the drill pipe subject to the *Drill Pipe Orders*.

B. Completion of Merchandise in a Foreign Country

The Petitioners state that the drill pipe subject to its anti-circumvention inquiry request is made from pipe and tool joints produced in the PRC, then exported to and assembled in the UAE for re-export to the United States. The Petitioners maintain that the pipe is subject merchandise before the assembly performed by Almansoori/Hilong in the UAE, which consists of friction welding the PRC-produced pipe to the PRC-produced tool joints. The Petitioners posit that the completed merchandise is then exported to the United States as UAE-origin. Therefore, the Petitioners conclude that, pursuant to section 781(b)(1)(B)(ii) of the Act, Hilong's drill pipe is merchandise assembled in another foreign country

⁸ See Circumvention Request at Attachment 3; see also Circumvention Request Supplement at Exhibit 5.

(the UAE) from merchandise that is produced in a country (the PRC) already subject to the *Drill Pipe Orders*.⁹

C. Minor or Insignificant Process

The Petitioners argue that for the purposes of section 781(b)(1)(C) of the Act, the process of friction welding the pipe to the tool joint in the UAE is "minor or insignificant" as defined by the Act. According to the Petitioners, the most fundamental aspect of the production process—the forming of seamless green tube by rotary piercing billet in an integrated or electric furnace, and the forming of tool joints from alloy steel bars that undergo a number of processes that require various specialized and expensive equipment—occurs in the PRC.¹⁰ Citing to a normal value build up consisting of factors of production consumption ratios reported by VAM Drilling, and surrogate values used in the antidumping investigation, the Petitioners contend that pipe and tool joint production account for about 75 percent of the cost of manufacture of the subject merchandise.¹¹

The Petitioners maintain that only a small percentage of the cost of manufacture consists of friction welding the pipe to the tool joint. The Petitioners provided evidence of the costs VAM Drilling incurs to subcontractors for friction welding pipe to tool joints.¹²

The Petitioners reason that an analysis of the relevant statutory factors of section 781(b)(2) of the Act further supports its conclusion that the UAE processing is "minor or insignificant." These factors include (1) the level of investment in the foreign country, (2) the level of research and development in the foreign country, (3) the nature of the production process in the foreign country, (4) the extent of production facilities in the foreign country and (5) whether the value of the processing in the foreign country represents a small proportion of the value of the merchandise imported into the United States.

(1) Level of Investment

The Petitioners provided an affidavit from VAM Drilling asserting that the cost of a friction welding line is approximately \$20 million U.S. dollars

⁹ See Circumvention Request at 4.

¹⁰ See Circumvention Request at 5; see also Circumvention Request Supplement at 1–2.

¹¹ Because this information is business proprietary, its specific content cannot be discussed here. See Circumvention Request at 5 and Attachment 4a; see also Circumvention Request Supplement at 2 and Exhibit 1.

¹² Because this information is business proprietary, its specific content cannot be discussed here. See Circumvention Request Supplement at 2 and Exhibit 1.

("USD").¹³ The Petitioners provided an additional affidavit that asserts that one of VAM Drilling's affiliates has invested \$650 million in a rotary piercing mill to produce pipe, although this company already has its own steel mill for producing billet.¹⁴ Further, the Petitioners provided publically available information that Tianjin Pipe Company indicates that the costs for a pipe production facility with a mill to produce billet is \$1 billion USD.¹⁵ Thus, the Petitioners conclude that the cost of investing in a friction welding line is approximately two percent of the cost of investing in a pipe production line.

The Petitioners argue that, based on their own experience in the UAE market, with regard to drill pipe, Almansoori/Hilong is engaged in assembly operations, and is essentially an export platform for PRC-origin drill pipe and is not an integrated production facility. Consequently, the Petitioners assert that little investment has been made in the UAE by Hilong in the assembly of drill pipe.

(2) Level of Research and Development

The Petitioners state that, similar to the level of investment, because Almansoori/Hilong's drill pipe operations only involve the friction welding of pipe to tool joints, little or no research and development are required to set up and operate the UAE company to assemble Chinese components.¹⁶

(3) Nature of the Production Process

According to the Petitioners, the nature of the production process for friction welding pipe to tool joints requires little machinery or equipment. The Petitioners contend that once a tool joint is attached, the drill pipe is exported to the United States.¹⁷ The Petitioners argue that the drill pipe assembled in the UAE contains the same components as the drill pipe produced in the PRC, *i.e.*, pipe friction welded to tool joints, and the only distinction is that the friction welding of the tool joint to the pipe occurs in the UAE instead of the PRC. As a consequence, the Petitioners maintain that before the pipe is friction welded to the tool joints, the pipe is of the same class or kind as the drill pipe produced in the PRC that is subject to the *Drill Pipe Orders*.

¹³ See Circumvention Request Supplement at 1–2 and Exhibit 1.

¹⁴ See Circumvention Request Supplement at 1 and Exhibit 2.

¹⁵ See Circumvention Request Supplement at 1–2 and Exhibit 3.

¹⁶ See Circumvention Request at 6.

¹⁷ See Circumvention Request at 3.

(4) Extent of Production in the UAE

As stated above, the Petitioners contend that the extent of production in the UAE is simply friction welding PRC-produced pipe to PRC-produced tool joints. As noted above, the Petitioners state that this process is completed by the single friction welding line by Almansoori/Hilong in the UAE.

(5) Value of Processing in the UAE as Compared to Drill Pipe Imported Into the United States

The Petitioners assert that assembly in the UAE of pipe and tool joints adds little value to the final product exported to the United States. The Petitioners posit that the value of the final product is, most significantly, the pipe and tool joints, which, as noted above, comprise approximately 75% of the cost of manufacture. Also as noted above, the Petitioners maintain that only a small percentage of the cost of manufacture consists of friction welding the pipe to the tool joint.¹⁸ Thus, the Petitioners maintain that the completion activities in the UAE add very little to the drill pipe that is exported to the United States because pipe and tool joints supplied by Hilong are sourced from the PRC.

D. Value of Merchandise Produced in PRC

The Petitioners argue that the evidence, as noted above, in its anti-circumvention request clearly supports their position that the value of the pipe and tool joints produced in the PRC, and assembled by Almansoori/Hilong, represents a significant portion of the total value of the merchandise exported to the United States, as measured by a percentage of the cost of manufacture.

E. Additional Factors To Consider in Determining Whether Action Is Necessary

The Petitioners argue that the additional factors contained in section 781(b)(3) of the Act must also be considered in the Department's decision whether to issue a finding of circumvention regarding the importation of drill pipe from the UAE.

(1) Pattern of Trade

The Petitioners state that section 781(b)(3) of the Act directs the Department to take into account patterns of trade when making a decision whether to include merchandise assembled or completed in the UAE within the scope of the *Drill Pipe Orders*. Based on an analysis of

publically available information from the ITC's Dataweb of U.S. import data, the Petitioners assert that after the initiation of the investigations in January 2010, imports of drill pipe from the PRC fell significantly.¹⁹ The Petitioners note that Almansoori/Hilong was founded in 2006, but did not begin production until 2009.²⁰ The Petitioners state that they are unaware of when Almansoori/Hilong began affixing pipe to tool joints, and only recently became aware of Almansoori/Hilong's commercial operations involving drill pipe in recent months, in conjunction with information concerning drill pipe exports to the United States from the UAE.²¹ The Petitioners provided data which shows that in 2011 imports of drill pipe from the UAE increased.²² Specifically, the Petitioners provided DataWeb data which shows that in the first five months of 2011 the imports of drill pipe nearly doubled compared to the first five months of 2010.²³ Moreover, the Petitioners provided evidence that a very large shipment of drill pipe entered the United States in June 2011.²⁴ One of the Petitioners, Rotary Drilling Tools, provided an affidavit which states that a U.S. distributor of drill pipe is marketing Almansoori/Hilong-produced drill pipe as having avoided dumping duties by assembling the pipe and tool joints in the UAE. The Petitioners contend that these patterns of trade are consistent with an assembly operation in the UAE established by a PRC producer who is no longer able to supply drill pipe directly to the United States due to the antidumping duty order in place.

(2) Affiliation

The Petitioners state that section 781(b)(3) of the Act directs the Department to take into account whether the manufacturer or exporter of the merchandise is affiliated with the person who uses the merchandise to assemble or complete in the foreign country the merchandise that is subsequently imported into the United States when making decisions on anti-circumvention rulings. The Petitioners have provided an affidavit, as well as website pages, indicating that Hilong operates a joint venture in the UAE,

Almansoori/Hilong.²⁵ Furthermore, the Petitioners have provided an affidavit which indicates that Almansoori/Hilong operates a friction welding line in the UAE.²⁶ The Petitioners contend that, based on proprietary information, Hilong USA imports drill pipe as having been finished in the UAE and is, thus, able to avoid dumping duties.²⁷ The Petitioners maintain that through minor assembly operations in the UAE, Hilong is actively circumventing the *Drill Pipe Orders*. According to the Petitioners, the acknowledgement of affiliation and the timing of the exports from the UAE to the United States support a conclusion that Hilong's assembly of PRC-produced drill pipe components in the UAE is circumventing the *Drill Pipe Orders*.

(3) Subsequent Import Volume

The Petitioners state that section 781(b)(3) of the Act directs the Department to take into account whether imports into the foreign country of the merchandise have increased after the initiation of the investigation which resulted in the issuance of an order or finding when making a decision on anti-circumvention rulings. While the Petitioners were unable to provide evidence of trade flows of pipe and tool joints between the PRC and the UAE, the Petitioners note that they are unaware of any imports of pipe or tool joints into the United States by Almansoori/Hilong prior to the initiation of the investigations in January 2010.²⁸ The Petitioners note that U.S. import data shows that, after the initiation of the investigations, the UAE became a source of drill pipe to the United States when Almansoori/Hilong began operations.²⁹ The Petitioners argue that Almansoori/Hilong's initial shipments, starting in February 2011, support the conclusion that the UAE had not, until recently, been a source of drill pipe shipments to the United States.³⁰

Analysis of the Request

Based on our analysis of the Petitioners' anti-circumvention inquiry request, the Department determines that the Petitioners have satisfied the criteria under section 781(b) of the Act to

¹⁸ See Circumvention Request at Attachment 3; see also Circumvention Request Supplement at Exhibits 6 & 7.

¹⁹ See Circumvention Request at Attachment 3.

²⁰ See Circumvention Request Supplement at Exhibit 4.

²¹ See Circumvention Request at 9.

²² See Circumvention Request at Attachments 5 & 6; see also Circumvention Request Supplement at Exhibits 4 & 5.

²³ *Id.*

¹⁸ See Circumvention Request Supplement at 2 and Exhibit 1.

¹⁹ See Circumvention Request at Attachment 6; see also Circumvention Request Supplement at Exhibit 4c.

²⁰ See Circumvention Request Supplement at 4.

²¹ *Id.*

²² See Circumvention Request at Attachment 6.

²³ *Id.*

²⁴ See Circumvention Request Supplement at Exhibit 5.

warrant an initiation of a formal anti-circumvention inquiry. In accordance with section 351.225(e) of the Department's regulations, if the Department finds that the issue of whether a product is included within the scope of an order cannot be determined based solely upon the application and the descriptions of the merchandise, the Department will notify by mail all parties on the Department's scope service list of the initiation of a scope inquiry, including an anti-circumvention inquiry. In addition, in accordance with section 351.225(f)(1)(ii) of the Department's regulations, a notice of the initiation of an anti-circumvention inquiry issued under paragraph (e) of this section includes a description of the product that is the subject of the anti-circumvention inquiry—drill pipe that contain the characteristics as provided in the scope of the *Drill Pipe Orders*, and an explanation of the reasons for the Department's decision to initiate an anti-circumvention inquiry, as provided below.

With regard to whether the merchandise from the UAE is of the same class or kind as the merchandise produced in the PRC, the Petitioners have presented information to the Department indicating that, pursuant to section 781(b)(1)(A) of the Act, the merchandise being exported from the UAE by Almansoori/Hilong may be of the same class or kind as drill pipe produced in the PRC, which is subject to the *Drill Pipe Orders*. Consequently, the Department finds that the Petitioners have provided sufficient information in their request regarding the class of kind of merchandise to support the initiation of an anti-circumvention inquiry.

With regard to completion or assembly of merchandise in a foreign country, pursuant to section 781(b)(1)(B) of the Act, the Petitioners have also presented information to the Department indicating that the drill pipe exported from the UAE to the United States is assembled by Almansoori/Hilong in the UAE from pipe and tool joints produced in the PRC. We find that the information presented by the Petitioners regarding this criterion supports their request to initiate an anti-circumvention inquiry.

The Department believes that the Petitioners sufficiently addressed the factors described in section 781(b)(2) of the Act regarding whether the friction welding of pipe to tool joints in the UAE is minor or insignificant. Specifically, in support of their argument, the Petitioners relied on their own experience and surrogate values from

the less-than-fair-value investigation. Thus, we find that the information presented by the Petitioners supports their request to initiate an anti-circumvention inquiry. In particular, we find that the Petitioners' submissions suggest that (1) little investment has been made by Hilong in its drill pipe welding operations in the UAE, (2) Hilong has fully integrated production facilities in the PRC, and therefore, research and development presumably takes place in the PRC rather than the UAE, (3) the friction welding of pipe to tool joints in the UAE does not alter the fundamental characteristics of the drill pipe, nor does it remove it from the scope of the *Drill Pipe Orders*, (4) Almansoori/Hilong has a lower investment level than companies that manufacture pipe and tool joints and (5) friction welding pipe to tool joints adds little value to the merchandise imported to the United States. Our analysis will focus on Almansoori/Hilong's assembly operations in the UAE and, in the context of this proceeding, we will closely examine the manner in which this company's processing materials are obtained, whether those materials are considered subject to the scope of the *Drill Pipe Orders*, and the extent of processing in the UAE, as well as the manner in which production and sales relationships are conducted with the alleged PRC and U.S. affiliates.

With respect to the value of the merchandise produced in the PRC, pursuant to section 781(b)(1)(D) of the Act, the Petitioners relied on one of its member's information and arguments in the "minor or insignificant process" portion of its anti-circumvention request to indicate that the value of the pipe and tool joint may be significant relative to the total value of finished drill pipe exported to the United States. We find that the information adequately meets the requirements of this factor, as discussed above, for the purposes of initiating an anti-circumvention inquiry.

Finally, the Petitioners argue that pursuant to section 781(b)(3) of the Act the Department considers the pattern of trade, affiliation, and subsequent import volumes as factors in determining whether to initiate the anti-circumvention inquiry. Here, we find that imports of drill pipe from the PRC decreased after the initiation of the investigations, that the Almansoori/Hilong joint venture in the UAE is affiliated to Hilong, and that the U.S. import data submitted by the Petitioners suggests that imports of drill pipe have risen since the investigations.

Accordingly, based on the Petitioners' submissions, we have determined that we have a sufficient basis to initiate a

formal anti-circumvention inquiry concerning the *Drill Pipe Orders*, pursuant to section 781(b) of the Act. In accordance with section 351.225(l)(2) of the Department's regulations, if the Department issues a preliminary affirmative determination, we will then instruct U.S. Customs and Border Protection to suspend liquidation and require a cash deposit of estimated duties on the merchandise.

This anti-circumvention inquiry covers Hilong and its affiliated companies in the UAE and United States. If, within sufficient time, the Department receives a formal request from an interested party regarding potential circumvention of the *Drill Pipe Orders* by other UAE companies, we will consider conducting additional inquiries concurrently.

The Department will establish a schedule for questionnaires and comments on the issues. In accordance with section 351.225(f)(5), the Department intends to issue its final determination within 300 days of the date of publication of this initiation. This notice is published in accordance with section 777(i)(1) of the Act.

Dated: August 5, 2011.

Ronald K. Lorentzen,
Deputy Assistant Secretary for Import Administration.

[FR Doc. 2011-20570 Filed 8-11-11; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-351-840]

Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review, Determination Not To Revoke Antidumping Duty Order in Part, and Final No Shipment Determination

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

DATES: *Effective Date:* August 12, 2011.

SUMMARY: On April 7, 2011, the Department of Commerce (the Department) published its preliminary results of the administrative review of the antidumping duty order on certain orange juice (OJ) from Brazil. This review covers four producers/exporters of the subject merchandise to the United States. The period of review (POR) is March 1, 2009, through February 28, 2010.

After analyzing the comments received, we have made certain changes in the margin calculations. Therefore,