

this review of the antidumping duty order on circular welded non-alloy steel pipe from Mexico covering the period November 1, 2000 through October 31, 2001.

This notice is issued and published in accordance with section 777(i) of the Act and 19 CFR 351.213(d)(4).

Dated: March 5, 2002.

Joseph A. Spetrini,

Deputy Assistant Secretary for Import Administration, Group III.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-875]

Notice of Initiation of Antidumping Duty Investigation: Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China

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

ACTION: Initiation of Antidumping Duty Investigation.

EFFECTIVE DATE: March 20, 2002.

FOR FURTHER INFORMATION CONTACT: Ron Trentham or Paige Rivas at (202) 482-6320 and (202) 482-0651, respectively; Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

Initiation of Investigation

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930, as amended (the Act), by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations are references to the provisions codified at 19 CFR Part 351 (2001).

The Petition

On February 21, 2002, the Department received a petition filed in proper form by Anvil International, Inc., and Ward Manufacturing Inc. (collectively, the petitioners). The Department received information supplementing the petition on March 5, 2002 and March 11, 2002.

In accordance with section 732(b) of the Act, the petitioners allege that

imports of non-malleable cast iron pipe fittings and ductile cast iron pipe fittings that have the same physical characteristics as non-malleable cast iron pipe fittings (pipe fittings) from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or are threatening to materially injure, an industry in the United States.

The Department finds that the petitioners filed this petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) of the Act and have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department to initiate (see the *Determination of Industry Support for the Petition* section below).

Scope of Investigation

For purposes of this investigation, the products covered are finished and unfinished non-malleable cast iron pipe fittings with an inside diameter ranging from 1/4 inch to 6 inches, whether threaded or un-threaded, regardless of industry or proprietary specifications. The subject fittings include elbows, tees, crosses, and reducers as well as flanged fittings. These pipe fittings are also known as cast iron pipe fittings or gray iron pipe fittings. These cast iron pipe fittings are normally produced to ASTM A-126 and ASME B.16.4 specifications and are threaded to ASME B1.20.1 specifications. Most building codes require that these products are Underwriters Laboratories (UL) certified. The scope does not include cast iron soil pipe fittings or grooved fittings or grooved couplings.

Fittings that are made out of ductile iron that have the same physical characteristics as the gray or cast iron fittings subject to the scope above or which have the same physical characteristics and are produced to ASME B.16.3, ASME B.16.4, or ASTM A-395 specifications, threaded to ASME B1.20.1 specifications and UL certified, regardless of metallurgical differences between gray and ductile iron, are also included in the scope of this petition. These ductile fittings do not include grooved fittings or grooved couplings. Ductile cast iron fittings with mechanical joint ends (MJ), or Push On ends (PO), or flanged ends and produced to the American Water Works Association (AWWA) specifications—AWWA C110 or AWWA C153 are not included.

Imports of covered merchandise are classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers 7307.11.00.30, 7307.11.00.60, 7307.19.30.60 and 7307.19.30.85. HTSUS subheadings are provided for convenience and Customs purposes. The written description of the scope of this proceeding is dispositive.

During our review of the petition, we discussed the scope with the petitioners to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for parties to raise issues regarding product coverage. See, *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27295, 27323 (May 19, 1997). The Department encourages all parties to submit such comments within 20 days from the publication of this notice. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. The scope comment period is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The United States International Trade Commission (ITC), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding domestic like product (see section 771(10) of the Act), they do so for different purposes and pursuant to their separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.¹

¹ See *Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); High Information Content Flat Panel Displays and

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," i.e., the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

In this petition, the petitioners do not offer a definition of domestic like product distinct from the scope of these investigations. Thus, based on our analysis of the information presented to the Department by the petitioners, and the information obtained and received independently by the Department, we have determined that there is a single domestic like product, which is defined in the *Scope of Investigation* section above, and have analyzed industry support in terms of this domestic like product.

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Information contained in the petition demonstrates that the domestic producers or workers who support the petition account for over 50 percent of total production of the domestic like product. See, *Petition for Imposition of Antidumping Duties: Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China (Pipe Fittings Petition)*, dated February 21, 2002, at page 3. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) are met. See, *Import Administration AD Investigation Checklist*, dated March 13, 2002 (*Initiation Checklist*) (public version on file in the Central Records Unit of the Department of Commerce, Room B-099). Furthermore, because the Department received no opposition to the petition, the domestic producers or workers who support the petition

account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petition. See, *Initiation Checklist*. Thus, the requirements of section 732(c)(4)(A)(ii) are met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See, *Initiation Checklist*.

Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value upon which the Department has based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to U.S. price and factors of production (FOP) are detailed in the *Initiation Checklist*.

The anticipated period of investigation (POI) for the PRC, a non-market economy (NME) country, is July 1, 2001 through December 31, 2001. Regarding an investigation involving an NME country, the Department presumes, based on the extent of central government control in an NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. See, e.g., *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC*, 59 FR 22585 (May 2, 1994). In the course of the investigation of pipe fittings from the PRC, all parties will have the opportunity to provide relevant information related to the issue of the PRC's status and the granting of separate rates to individual exporters.

Export Price

The petitioners identified the following three companies as producers and/or exporters of pipe fittings from the PRC: Eathu Casting & Forging Co., Ltd., GMS Pipe Fittings Industries, and ShenYang Metalcast Co., Ltd. To calculate export price (EP), the petitioners provided the average unit value (AUV) calculated from import statistics released by the Census Bureau. The petitioners calculated the AUV using the quantity and value of imports during the POI of pipe-fittings from the PRC, entered under HTSUS subheadings 7307.11.00.30 and 7307.11.00.60, the two HTSUS numbers covering non-malleable cast iron pipe fittings.

The petitioners calculated a net U.S. price by deducting from the AUV foreign inland freight. See *Initiation Checklist*.

Normal Value

The petitioners assert that the PRC is an NME country and no determination

to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is an NME. See, *Steel Concrete Reinforcing Bars from the People's Republic of China; Notice of Final Determination of Sales at Less Than Fair Value (Re-Bars from China)*, 66 FR 33522 (June 22, 2001), and *Notice of Final Determination of Sales at Less Than Fair Value: Foundry Coke Products from the People's Republic of China (Foundry Coke from China)*, 66 FR 39487 (July 31, 2001). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Because the PRC's status as an NME remains in effect, the petitioners determined the dumping margin using an FOP analysis.

For normal value (NV), the petitioners based the FOP, as defined by section 773(c)(3) of the Act, on the consumption rates of one U.S. pipe fittings producer for non-malleable cast iron pipe fittings. The petitioners assert that information regarding the Chinese producers' consumption rates is not available, and have therefore assumed, for purposes of the petition, that producers in the PRC use the same inputs in the same quantities as the petitioners use, except where a variance from the petitioners' cost model can be justified on the basis of available information. Based on the information provided by the petitioners, we believe that the petitioners' FOP methodology represents information reasonably available to the petitioners and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioners assert that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) a market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to the PRC in terms of per capita gross national product (GNP). Based on the information provided by the petitioners, we believe that the petitioners' use of India as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioners valued FOP, where possible, on reasonably available, public surrogate data from India. Raw materials were valued based on Indian import values, as published by *Monthly Statistics of the Foreign Trade of India (Indian Import Statistics)* for February

Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition, 56 FR 32376, 32380-81 (July 16, 1991).

2001. Because these values are from a period preceding the POI, the petitioners inflated the value to December 2001 levels where appropriate, using the Indian Wholesale Prices Index (as published in the *International Financial Statistics* of the International Monetary Fund).

Labor was valued using the Department's regression-based wage rate for the PRC, in accordance with past Department practice. *See, Pipe Fittings Petition* at 14 and citations discussed therein. Electricity was valued using the 1997 Indian electricity prices for industry as published in the fourth quarter 2001 issue of *Energy Prices and Taxes*, published by the Organization for Economic Cooperation and Development's International Energy Agency. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by an inflation factor. *See, Pipe Fittings Petition* at 15 and 16.

Foundry coke was valued using Indian Import Statistics for February 2001. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by an inflation factor, and adjusted for price differences between U.S. foundry coke and blast furnace coke prices in the first quarter of 2001. *See, Pipe Fittings Petition* at 14 and 15.

We find the petitioners' calculation of foundry coke to be inappropriate because there is no evidence based on the actual Indian data that: (1) the data included the import value for both blast furnace coke and foundry coke, as claimed in the petition, and (2) the majority of Indian imports was of blast furnace coke. Accordingly, we have recalculated the surrogate value for foundry coke based on the figures in the *Indian Import Statistics* without any further adjustments.

The petitioners derived the surrogate value for natural gas from a price the Department utilized in the *Notice of Preliminary Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products From the People's Republic of China*, 66 FR 22183 (May 3, 2001). To convert to the unit of measurement used in the production factors of the U.S. surrogate, the petitioners multiplied the amount by 1,000. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by a U.S. inflation factor because it was denominated in U.S. dollars. *See, Pipe Fittings Petition* at 16. For overhead,

depreciation, selling general and administrative (SG&A) expenses, the petitioners applied rates derived from the fiscal year financial statements as of December 31, 2000, of an Indian pipe fittings producer that the petitioners believe to produce iron and steel castings, including cast iron pipes and fittings. The Indian pipe fittings producer did not make any profits in both 2000 and 2001; therefore, the petitioners calculated the profit ratio using the financial statements of another Indian steel producer using the financial statements of that company as of March 31, 2001. *See, Pipe Fittings Petition* at 17. Based on the information provided by the petitioners, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiating this investigation.

The petitioners did not include packing materials in its computation because it was unable to obtain information on this expense. The petitioners valued packing labor using the direct labor rate published on the Department's website. *See, Pipe Fittings Petition* at 17.

Based upon the comparison of EP to NV, the estimated dumping margin is 38.25 percent.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of pipe fittings from the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of imports of the subject merchandise sold at less than NV. The volume of imports from the PRC, using the latest available data, exceeded the statutory threshold of seven percent for a negligibility exclusion. *See*, section 771(24)(A)(ii) of the Act. The petitioners contend that the industry's injured condition is evidenced in the declining trends in operating income, decreased U.S. market share, and increasing Chinese imports. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, domestic consumption, and domestic production information. We have assessed the allegations and supporting evidence

regarding material injury and causation, and have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See, Initiation Checklist*.

Initiation of the Antidumping Investigation

Based on our examination of the petition on pipe fittings, and the petitioners' response to our supplemental questionnaire clarifying the petition, and additional independent data, we find that the petition meets the requirements of section 732 of the Act. *See, Initiation Checklist*. Therefore, we are initiating the antidumping duty investigation to determine whether imports of pipe fittings from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the government of the PRC. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine, no later than April 8, 2002 whether there is a reasonable indication that imports of pipe fittings from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: March 13, 2002.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

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